

Company Report: Shenzhen Invest (00604 HK)

公司报告: 深圳控股 (00604 HK)

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Acceleration of Business Development by New Five-Year Plan Blueprint, Maintain "Buy"

新五年规划蓝图提速业务发展, 维持“买入”

- The Company's 2020 results beat expectations.** Top line increased by 26.0% YoY to HK\$18,803.0 mn, mainly driven by the increase in booked revenue. Overall gross profit margin increased by 12.5 ppts YoY to 46.9%, mainly driven by the high gross profit margin of properties delivered. Underlying shareholders' net profit increased by 48.7% YoY to HK\$4,553.0 mn, driven by dividends from Hengda Real Estate. The Company maintained healthy debt condition with no violations of the "three red lines". The Company declared a final dividend of HK\$0.18 per share with a payout ratio of 43%.
- We revise up our profit estimations.** The Company has mapped out a five-year plan blueprint to enhance operating performance by transformation and optimization. Based on assumptions of higher growth of contracted sales and more aggressive land purchase plan, we revise up 2021-2022 revenue by 31.0% and 53.6%, respectively. We also revise up gross profit margin forecasts by 6.3 ppts and 3.9 ppts in 2021 and 2022, respectively, given that the majority of GFA delivered in 2021-2022 was from high-end projects in Shenzhen. Thus, we revise up the Company's 2021-2022 underlying shareholders' profit by 49.7% and 46.2%, respectively. Underlying EPS is expected to grow at 14.6%/ 9.5%/ 13.4% in 2021-2023, respectively.
- We revise up our target price to HK\$3.09,** representing a 50% discount to 2021E NAV of HK\$6.18 per share, 5.2x 2021 underlying PER and 0.5x 2021 PBR. **Investment rating has been maintained as "Buy".** Risk factors include: 1) uncertainties in land acquisition in tier-2 cities and 2) worse-than-expected aftermath of the COVID-19 pandemic.
- 公司 2020 年业绩超出预期。** 收入同比增长 26.0% 至 188.03 亿港元, 主要由结转收入的增长所带动。整体毛利率同比增长 12.5 个百分点至 46.9%, 主要是由于高毛利率的结转建面所致。在恒大地产股息的带动下, 核心股东净利润同比增长 48.7% 至 45.53 亿港元。公司的债务状况保持健康, 并且没有违反“三个红线”。公司宣派末期股息每股 0.18 港元, 派息率为 43%。
- 我们上调了盈利预测。** 公司制定了未来五年规划蓝图, 通过转型和优化来提高运营业绩。基于更快增长的合约销售和更激进的土地购置计划假设, 我们分别将 2021-2022 年收入上调 31.0% 和 53.6%。考虑到 2021-2022 年大部分结转建面来自深圳的高端项目, 我们还将 2021 年和 2022 年的毛利率分别上调 6.3 个百分点和 3.9 个百分点。因此, 我们分别上调公司 2021-2022 核心股东利润 49.7% 和 46.2%。预计 2021 年至 2023 年公司的核心每股净利将分别增长 14.6%/9.5%/13.4%。
- 我们上调公司目标价至 3.09 港元,** 较 2021 财年每股估值 6.18 港元有 50% 的折让, 也相当于 5.2 倍 2021 财年核心市盈率和 0.5 倍 2021 财年市净率。维持“买入”投资评级。风险因素: 1) 在二线城市土地获取过程中的不确定性, 2) 新冠疫情后续影响差于预期。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$3.09

Revised from 原目标价:

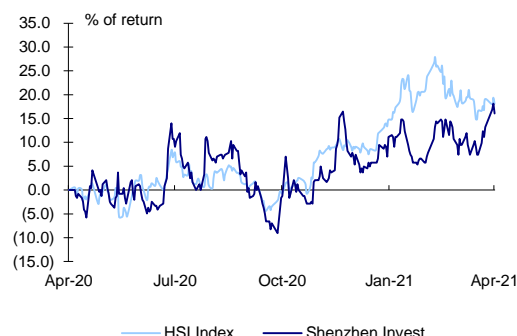
HK\$2.98

Share price 股价:

HK\$2.820

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	8.0	4.4	16.0
Rel. % to HS Index 相对恒指变动 %	8.3	1.5	(2.1)
Avg. Share price(HK\$) 平均股价 (港元)	2.7	2.7	2.5

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2019A	14,919	4,063	0.475	13.4	5.9	5.203	0.5	0.180	6.4	9.4
2020A	18,803	3,723	0.420	(11.6)	6.7	5.715	0.5	0.180	6.4	7.8
2021F	23,733	5,893	0.662	57.6	4.3	6.229	0.5	0.265	9.4	11.1
2022F	28,380	6,372	0.716	8.2	3.9	6.864	0.4	0.286	10.2	10.9
2023F	33,032	7,163	0.805	12.4	3.5	7.578	0.4	0.322	11.4	11.1
Shares in issue (m) 总股数 (m)				8,899.9	Major shareholder 大股东				Shum Yip Holdings 63.7%	
Market cap. (HK\$ m) 市值 (HK\$ m)				25,097.7	Free float (%) 自由流通比率 (%)				36.3	
3 month average vol. 3 个月平均成交股数 ('000)				5,862.8	FY21 Net gearing (%) FY21 净负债/股东资金 (%)				22.2	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				2.900 / 2.210	FY21 Est. NAV (HK\$) FY21 每股估值 (港元)				6.2	

Source: the Company, Guotai Junan International.

2020 Annual Results Review

Shenzhen Invest's (the "Company") 2020 results beat market consensus and our expectations. Total revenue increased by 26.0% YoY to HK\$18,803.0 mn, mainly driven by the increase in booked revenue. Revenue from property development business increased by 33.7% YoY to HK\$14,079.6 mn and accounted for 74.9% of total revenue. Revenue from management fee income increased by 6.0% YoY to HK\$2,225.9 mn. Rental income increased 14.2% YoY to HK\$1,223.2 mn. Although rental income from the existing investment properties decreased significantly due to the implementation of the rent exemption policy, the negative impact of rent exemption has been completely offset by the Company's efforts to generate income from new properties. Overall gross profit margin increased by 12.5 pts YoY to 46.9%, mainly driven by the high gross profit margin of properties delivered, which grew 15.8 pts YoY to 52.8%, attributable to a higher proportion of projects delivered in Shenzhen.

Underlying shareholders' net profit increased by 48.7% YoY to HK\$4,553.0 mn. The Company's other income and gains surged by 576.3% YoY to HK\$2,133.5 mn, which mainly consisted of a dividend of HK\$1,626.6 mn from Hengda Real Estate, in line with our expectations. However, the Company recorded a decrease in the fair value of investment property portfolio of HK\$677.1 mn, which was attributable to the office building rental market downturn in Shenzhen. In addition, the Company recorded an effective tax rate of 51.3%, 16.8 pts higher than that in 2019 since the Company recorded higher land appreciation tax. As a result, shareholders' net profit decreased 8.4% YoY to HK\$3,722.9 mn. Excluding the net effect of the changes in fair value of investment properties and financial assets of the Company, underlying shareholders' net profit increased by 48.7% YoY to HK\$4,553.0 mn. The Company declared a full-year dividend of HK\$0.18 per share, representing a payout ratio of 43%, which was higher than 38% of 2019.

Table 1: Comparison of the Company's Income Statement in 2019 and 2020

HK\$ mn	2019	2020	Change
Total revenue	14,919	18,803	26.0%
- Property development	10,532	14,080	33.7%
- Property investment	1,071	1,223	14.2%
- Management fee income	2,099	2,226	6.0%
- Others	1,218	1,274	4.6%
Gross profit	5,125	8,815	72.0%
GPM	34.4%	46.9%	12.5 ppt
Shareholders' net profit	4,063	3,723	-8.4%
Underlying shareholders' net profit	3,062	4,553	48.7%
Shareholders' NPM	27.2%	19.8%	(7.4) ppt
Underlying shareholders' NPM	20.5%	24.2%	3.7 ppt

Source: the Company, Guotai Junan International.

The Company maintained healthy debt condition with no violations of the "three red lines". As at the end of 2020, the Company's adjusted liability-to-asset ratio increased 3.3 pts YoY to 58.2%, below 70%; net gearing ratio decreased 2.9 pts YoY to 23.9%, much lower than 100%; and cash to short-term debt ratio recorded 1.47x, more than 1.00x. In addition, Shenzhen Invest's funding cost decreased 1.0 pts YoY to 3.7%, which was much lower the industry average. Thus, the Company was unaffected by the "three red lines", and we expect such healthy debt condition to be maintained in the subsequent years.

Table 2: Comparison of the Company's Balance Sheet in 2019 and 2020

HK\$ mn	2019	2020	Change
Cash and cash equivalents	9,653	16,166	67.5%
Total asset	125,273	152,276	21.6%
Total liabilities	76,901	96,870	26.0%
Shareholders' equity	44,475	50,624	13.8%
Adjusted liability-to-asset ratio ⁽¹⁾	54.9%	58.2%	3.3 ppt
Net gearing ratio ⁽²⁾	26.8%	23.9%	(2.9) ppt
Cash to short-term debt ratio (x)	1.47	1.47	0%

Source: the Company, Guotai Junan International.

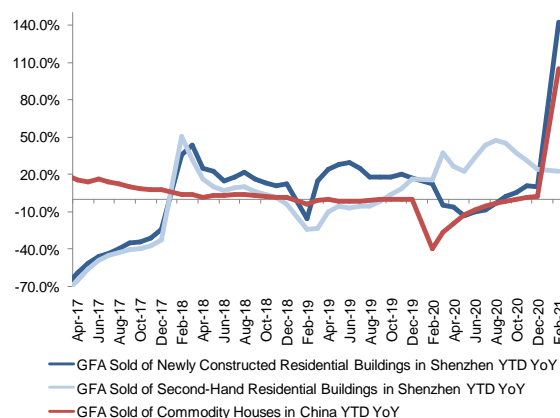
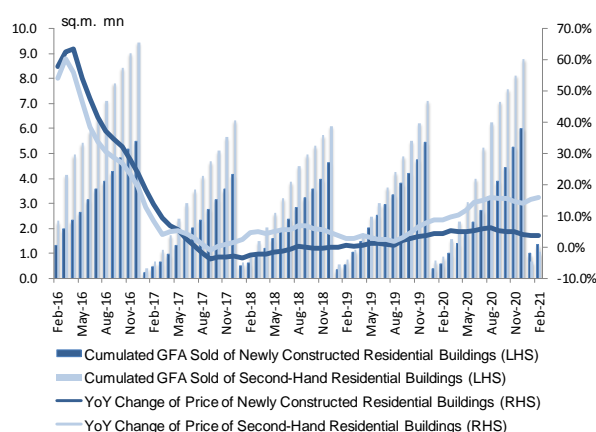
Note: (1) Adjusted liability-to-asset ratio is calculated by total liabilities minus contract liabilities and then divided by total assets minus contract liabilities.

(2) Net gearing ratio was calculated based on net debt divided by shareholders' equity.

Industry Update and Earnings Forecasts

Strong recovery of newly constructed housing sales in the beginning of 2021 implied market resilience. In January-February 2021, commodity housing sales GFA in China surged 104.9% YoY, and cumulated house sales GFA of newly constructed residential buildings increased by 142.4% YoY, as a result of the low base in 1Q20, which was dragged by the COVID-19 pandemic. With construction progress having returned to normal, we expect such rising momentum to continue in 1H21 due to a relatively low base in 1H20. In addition, following "715" house purchase restrictions, Shenzhen Housing and Construction Bureau announced the *Notice of the Shenzhen Housing and Construction Bureau on the Establishment of a Reference Price Release Mechanism for Second-hand Housing Transaction* (《深圳市住房和建设局关于建立二手住房成交参考价格发布机制的通知》) on 8 February 2021, to promote information transparency and rational transactions in second-hand housing markets. Growth of cumulative second-hand residential GFA sold fell back from previous highs and recorded 22.8% YoY growth as at February 2021, and we expect this policy is likely to reduce individual housing loans on the basis of reference price to eliminate real estate speculators and cool down the second-hand housing market. We think that tightening measures will exist in Shenzhen in the long term, which is conducive to facilitating a steady growing property market in Shenzhen.

Figure 1: New and Second-Hand House Markets in Shenzhen **Figure 2: House Sales Change in Shenzhen and China**

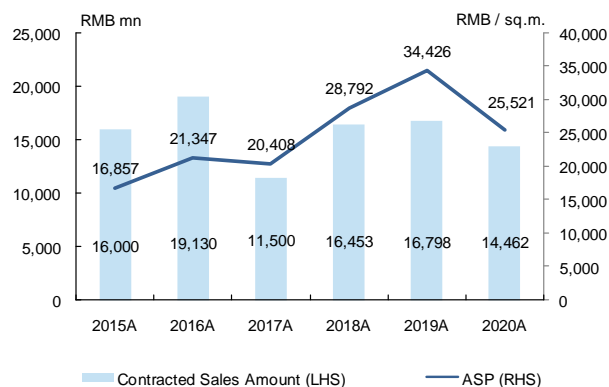


Source: Shenzhen City Planning and Land Resources Committee, National Bureau of Statistics of China, Guotai Junan International.

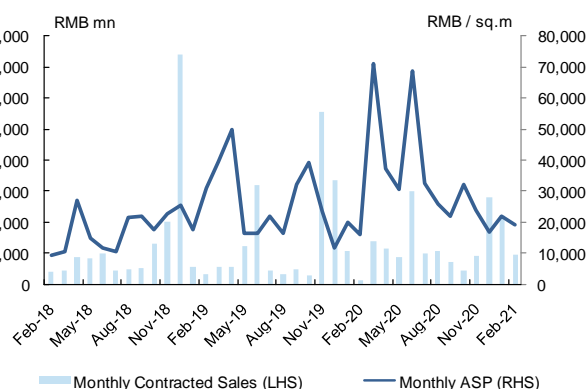
Source: Shenzhen City Planning and Land Resources Committee, National Bureau of Statistics of China, Guotai Junan International.

Shenzhen Invest has mapped out a five-year plan blueprint, aiming to become an "innovation-builder of the city and industry". The Company's five-year plan blueprint mainly includes 1) doubling of land reserves, sales revenue and profits in the next five years; 2) land reserves of the Company will reach more than 10 mn sq.m in the next five years; 3) income from development and sales and rental will maintain a CAGR of 20%; 4) revenue from urban operation service business increase to 3x to 5x of the current level and spinning off of the urban operation business for listing at an appropriate timing; and 5) the Company will enhance its industrial park services, cultivate 2-3 listed companies in the science and technology industry and create an industrial space-service-investment ecology. The Company aims to form a diversified sector, empower different business sectors through capital market means such as injection, cultivation and spin-off, build a group of listed companies, and release value. We believe such an aggressive and visible plan will accelerate the Company's business development.

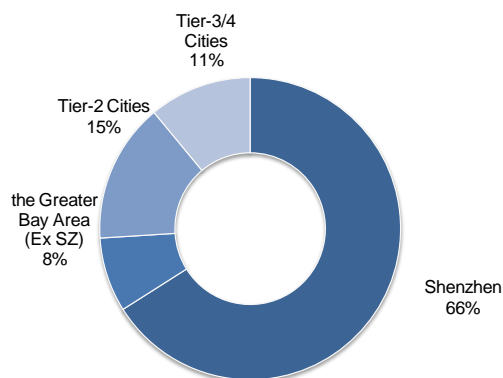
We expect the Company's contracted sales to record a robust growth in 2021, backed by its abundant saleable resources and ambitious planning blueprint. The Company's 2020 contracted sales amount decreased by 13.9% YoY to RMB14.46 bn, due to 1) the negative effects from the COVID-19 pandemic, which postponed the schedule of new projects launch, and 2) the decline in ASP, which was down 25.9% YoY to RMB25,521 per sq.m as a result of rising proportion of the Company's projects from tier-2 cities. In January-February 2021, contracted sales increased by 165.9% YoY to RMB3.143 bn due to the low base in 2020. The Company set its 2021 contracted sales target at RMB18 bn, representing an increase of 24.5% compared with 2020 contracted sales amount. 2021 full-year saleable resources is projected to reach RMB32 bn, representing a sell-through rate of 56.3%.

Figure 3: The Company's Annual Contracted Sales


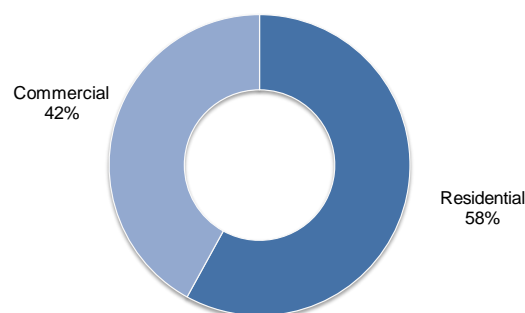
Source: the Company, Guotai Junan International.

Figure 4: The Company's Monthly Contracted Sales


Source: the Company, Guotai Junan International.

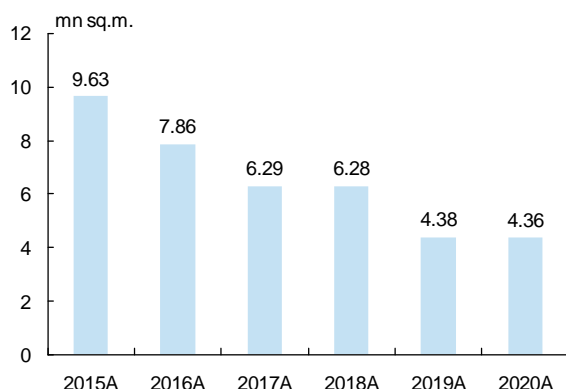
Figure 5: The Company's 2020 Contracted Sales Breakdown by Region


Source: the Company, Guotai Junan International.

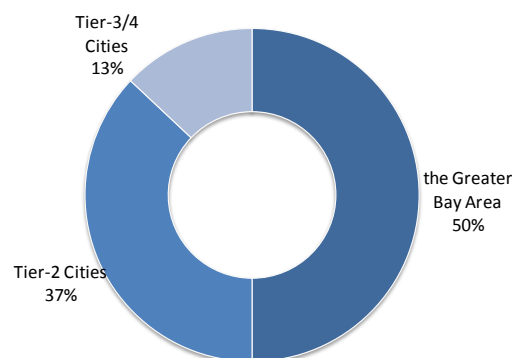
Figure 6: The Company's 2020 Contracted Sales Breakdown by Type


Source: the Company, Guotai Junan International.

We expect a rally of the Company's land bank in 2021. As at 2020, the Company had a land bank with an aggregate GFA of approximately 4.36 mn sq.m, reaching the lowest amount since 2015. During 2020, the Company acquired 1) two land parcels in Chengdu at a consideration of RMB1.15 bn and RMB0.65 bn, respectively, 2) 52.848% of Shum Yip Jinzhi (held by Shum Yip Group) at a consideration of RMB537 mn, and 3) the land plot of Hengli Island, Nansha, Guangzhou at a consideration of RMB4.01 billion plus the construction of 23,000 sq.m of subsidized talent housing. The total newly added land bank in 2020 was 631,000 sq.m. By virtue of being a Shenzhen SOE, healthy debt condition and strong contracted sales, the Company is expected to have easier access and abundant cash to purchase land parcels in the next few years. As such, under its ambitious planning blueprint, we expect the Company's land bank to continuously recover.

Figure 7: The Company's Land Bank


Source: the Company, Guotai Junan International.

Figure 8: The Company's 2020 Land Bank Breakdown by City Tier


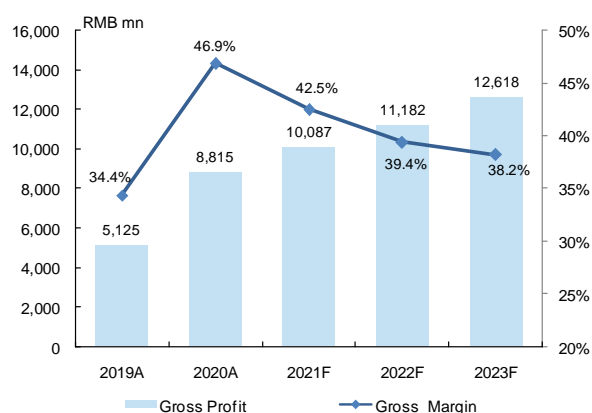
Source: the Company, Guotai Junan International.

We revise upwards our profit estimations. As at 2020, the Company's unbooked revenue was HK\$18.2 mn. We revise up our estimations of the Company's 2021-2022 revenue by 31.0% and 53.6%, respectively, mainly given the Company's new ambitious development strategy to increase land bank, promote contracted sales, and make endeavors to enhance rental income and management fees. We also revise up gross profit margin forecasts by 6.3 pts and 3.9 pts in 2021 and 2022, respectively, considering most projects delivered in 2021-2022 are expected to be luxury houses in Shenzhen. We expect consecutive dividends from Hengda Real Estate in 2021-2023, namely HK\$659 mn, HK\$692 mn, and HK\$727 mn, respectively. Thus, we revise up the Company's 2021-2022 underlying shareholders' profit by 49.7% and 46.2%, respectively. Underlying EPS is expected to increase by 14.6% YoY, 9.5% YoY and 13.4% YoY in 2021-2023, respectively.

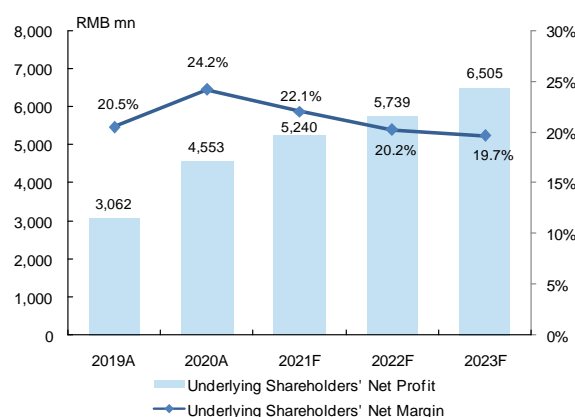
Table 3: Revisions to the Company's 2021-2023 Profit Estimations

HK\$ mn	New estimation			Old estimation			Change		
	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F	2023F
Total revenue	23,73	28,380	33,032	18,121	18,481	n.a.	31.0%	53.6%	n.a.
Gross profit	10,08	11,182	12,618	6,560	6,561	n.a.	53.8%	70.4%	n.a.
Shareholders' net profit	5,893	6,372	7,163	3,824	4,445	n.a.	54.1%	43.4%	n.a.
Underlying shareholders' profit	5,240	5,739	6,505	3,501	3,927	n.a.	49.7%	46.2%	n.a.
Gross profit margin	42.5%	39.4%	38.2%	36.2%	35.5%	n.a.	6.3 ppt	3.9 ppt	n.a.
Net profit margin	24.8%	22.5%	21.7%	21.1%	24.1%	n.a.	3.7 ppt	(1.6) ppt	n.a.
Underlying net profit margin	22.1%	20.2%	19.7%	19.3%	21.2%	n.a.	2.8 ppt	(1.0) ppt	n.a.
ROE	11.1%	10.9%	11.1%	7.8%	8.4%	n.a.	3.3 ppt	2.5 ppt	n.a.
ROA	3.7%	3.6%	3.7%	2.7%	3.0%	n.a.	0.9 ppt	0.5 ppt	n.a.
Net gearing ratio	22.2%	20.5%	18.2%	15.5%	15.4%	n.a.	6.7 ppt	5.1 ppt	n.a.

Source: the Company, Guotai Junan International.

Figure 9: The Company's Total Gross Profit and Gross Profit Margin


Source: the Company, Guotai Junan International.

Figure 10: The Company's Underlying Shareholders' Net Profit and Underlying Shareholders' Net Margin


Source: the Company, Guotai Junan International.

Valuation

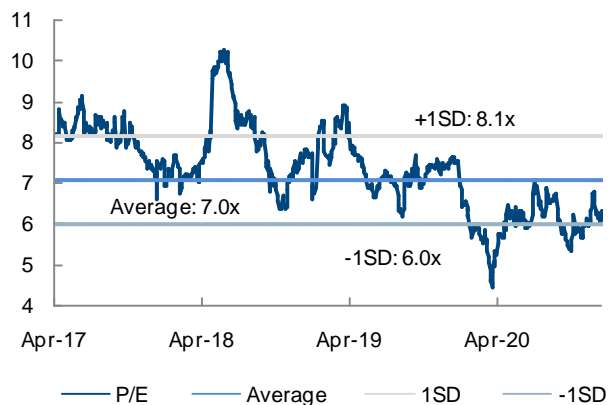
We revise up Shenzhen Invest's target price to HK\$3.09 and maintain investment rating as "Buy". The Company's 2020 results beat our expectations, implying recovery from the COVID-19 pandemic. Under the Company's new five-year plan blueprint, the Company is expected to promote contracted sales, rental income and management fees. The Company's land bank was at a historical low level in 2020, but as we project abundant cash arising from operational activities and dividends from Hengda Real Estate, and project healthier debt conditions compared with its industry peers, we expect land bank to rebound continuously. In addition, by virtue of its Shenzhen SOE background, the Company has easier access to quality land resources and is likely to get more financial support from its parent company. Thus, based on our higher earnings forecasts, we revise up our target price to HK\$3.09, representing a 50% discount to 2021E NAV of HK\$6.18 per share, 5.2x 2021 underlying PER and 0.5x 2021 PBR. We maintain the investment rating for Shenzhen Invest as "Buy". Risk factors include: 1) uncertainties in land acquisition in tier-2 cities and 2) worse-than-expected aftermath of the COVID-19 pandemic.

Table 4: Breakdown of Shenzhen Invest's 2021 NAV

NAV Summary	2021E
Development properties (HK\$ mn)	40,406
Investment properties (HK\$ mn)	26,878
Total gross asset value (HK\$ mn)	67,284
(Net debt)/Net cash (HK\$ mn)	(12,297)
NAV (HK\$ mn)	54,987
NAV / Share (HK\$)	6.18
TP discount to NAV	50%
Target price (HK\$)	3.09

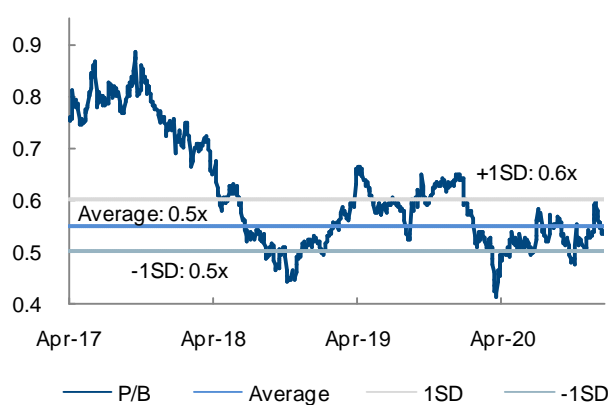
Source: the Company, Guotai Junan International.

Figure 11: Shenzhen Invest's P/E Ratio



Source: Bloomberg, Guotai Junan International.

Figure 12: Shenzhen Invest's P/B Ratio



Source: Bloomberg, Guotai Junan International.

Table-5: Peers Comparison

Company	Stock Code	Currency	Last Price (HK\$)	Mkt Cap (HK\$ m)	PE (fiscal year)				PB (fiscal year)			ROE (%) D/Y (%)		
					2020A	2021F	2022F	2023F	2020A	2021F	2022F	2023F	2021F	2021F
HK listed large-scale developers with major revenue from mainland														
China Vanke Co Ltd-H	2202 HK	HKD	28.450	386,655	7.0	6.1	5.6	5.4	1.2	1.1	1.0	0.9	18.3	5.4
Longfor Group Holdings Ltd	960 HK	HKD	50.000	303,078	13.0	11.4	9.7	8.2	2.3	2.1	1.8	1.6	18.4	4.0
China Resources Land Ltd	1109 HK	HKD	36.600	260,992	7.8	7.9	7.0	6.3	1.0	1.0	0.9	0.8	13.3	4.5
China Overseas Land & Invest	688 HK	HKD	19.880	217,583	4.4	4.4	3.9	3.7	0.6	0.5	0.5	0.5	12.9	6.9
Country Garden Holdings Co	2007 HK	HKD	9.830	216,608	5.4	4.6	4.1	3.7	1.0	0.9	0.8	0.6	21.1	6.7
China Evergrande Group	3333 HK	HKD	14.260	188,845	20.7	5.6	5.4	5.6	1.1	0.9	0.8	0.8	14.3	5.0
Sunac China Holdings Ltd	1918 HK	HKD	32.150	149,963	3.7	3.6	3.3	3.0	1.0	0.8	0.7	0.6	23.9	6.3
Simple Average					8.8	6.2	5.6	5.1	1.2	1.0	0.9	0.8	17.5	5.5
Weighted Average					8.9	6.6	5.9	5.4	1.3	1.1	1.0	0.9	17.3	5.4
HK listed mid-scale developers with major revenue from mainland														
Shimao Group Holdings Ltd	813 HK	HKD	23.500	83,136	5.8	4.8	4.1	3.7	0.8	0.7	0.6	0.6	15.6	8.4
Logan Group Co Ltd	3380 HK	HKD	12.640	69,782	4.8	4.0	3.4	3.1	1.5	1.1	0.9	0.8	29.5	10.0
Seazen Group Ltd	1030 HK	HKD	9.930	61,665	5.3	5.2	4.6	3.9	1.5	1.2	1.0	0.8	25.4	5.7
Cifi Holdings Group Co Ltd	884 HK	HKD	7.460	61,385	6.6	5.3	4.6	4.1	1.4	1.1	0.9	0.7	23.0	6.6
Hopson Development Holdings	754 HK	HKD	27.500	60,263	4.5	15.5	14.7	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	1.9
Agile Group Holdings Ltd	3383 HK	HKD	12.800	50,138	4.7	4.3	3.8	3.3	0.8	0.7	0.6	0.5	16.2	9.3
Kwg Group Holdings Ltd	1813 HK	HKD	13.280	42,239	5.6	4.5	3.9	3.2	0.8	0.7	0.7	0.6	16.9	9.6
China Jinmao Holdings Group	817 HK	HKD	3.090	39,201	8.6	4.2	3.5	3.2	0.7	0.6	0.6	0.5	12.7	9.3
Guangzhou R&F Properties - H	2777 HK	HKD	10.140	38,049	3.6	3.4	2.9	2.9	0.4	0.3	0.3	0.3	10.6	12.8
Powerlong Real Estate Holdin	1238 HK	HKD	7.660	31,731	4.6	5.8	4.6	3.8	0.7	0.7	0.6	0.5	14.1	7.4
Yuexiu Property Co Ltd	123 HK	HKD	1.780	27,558	5.8	4.9	4.2	3.7	0.5	0.5	0.5	0.4	10.3	8.3
Kaisa Group Holdings Ltd	1638 HK	HKD	3.870	27,138	3.9	3.3	2.8	3.0	0.6	0.4	0.4	0.3	18.1	5.8
Shenzhen Investment Ltd	604 HK	HKD	2.820	25,098	6.7	6.0	5.4	4.8	0.5	0.5	0.4	0.4	7.7	6.6
Greentown China Holdings	3900 HK	HKD	9.960	24,843	8.4	7.4	6.2	5.3	0.6	0.5	0.5	0.4	6.9	4.3
Zhenro Properties Group Ltd	6158 HK	HKD	5.330	23,280	7.8	6.6	5.4	4.8	1.0	0.9	0.8	0.7	12.3	3.2
China Aoyuan Group Ltd	3883 HK	HKD	8.230	22,187	3.3	2.8	2.3	2.2	1.0	0.8	0.6	0.5	31.2	13.1
Times China Holdings Ltd	1233 HK	HKD	10.980	21,288	3.8	3.1	2.6	2.4	1.0	0.7	0.6	0.5	25.4	9.7
Midea Real Estate Holding Lt	3990 HK	HKD	16.760	20,624	4.2	3.2	2.7	2.5	0.8	0.6	0.5	0.4	20.4	13.1
Zhongliang Holdings Group Co	2772 HK	HKD	5.490	19,664	4.6	3.8	3.3	3.0	1.5	1.2	1.0	0.8	25.0	10.4
Shinsun Holdings Group Co Lt	2599 HK	HKD	6.180	18,808	5.1	4.1	3.5	n.a.	1.9	0.8	0.7	n.a.	23.3	7.3
C&D International Investment	1908 HK	HKD	15.320	18,027	6.8	5.1	3.9	3.2	0.9	1.1	0.9	1.1	25.9	8.8
Radiance Holdings Group Co L	9993 HK	HKD	4.450	18,001	4.4	3.7	3.1	n.a.	0.7	0.5	0.4	n.a.	13.6	8.0
Simple Average					5.4	5.0	4.3	3.5	0.9	0.7	0.6	0.6	18.3	8.2
Weighted Average					5.4	5.4	4.7	3.5	0.9	0.8	0.7	0.6	18.7	7.9
HK listed small-scale developers with major revenue from mainland														
China Overseas Grand Oceans	81 HK	HKD	4.990	17,083	3.5	2.9	2.5	2.1	0.6	0.5	0.4	0.3	19.1	8.2
China Sce Group Holdings Ltd	1966 HK	HKD	3.590	15,157	3.5	3.1	2.6	2.2	0.6	0.5	0.5	0.4	17.0	10.1
Sinic Holdings Group Co-H	2103 HK	HKD	3.900	13,924	6.3	4.5	4.0	3.5	1.2	1.0	0.9	0.8	18.1	5.9
Sino-Ocean Group Holding Ltd	3377 HK	HKD	1.710	13,024	4.0	4.0	3.8	3.7	0.2	0.2	0.2	0.2	4.7	10.4
Central China Real Estate	832 HK	HKD	3.660	10,766	5.0	3.1	2.6	n.a.	0.8	0.7	0.6	n.a.	21.3	12.6
Huijing Holdings Co Ltd	9968 HK	HKD	1.890	9,930	16.8	n.a.	n.a.	n.a.	2.6	n.a.	n.a.	n.a.	n.a.	n.a.
Ronshine China Holdings Ltd	3301 HK	HKD	5.470	9,208	3.4	2.5	2.1	2.7	0.4	0.4	0.3	0.3	11.8	8.8
Redsun Properties Group Ltd	1996 HK	HKD	2.610	8,676	4.6	3.8	3.4	3.9	0.5	0.4	0.4	0.4	10.4	6.9
Beijing North Star Co Ltd-H	588 HK	HKD	1.450	8,469	32.2	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Dexin China Holdings Co Ltd	2019 HK	HKD	3.090	8,347	6.2	4.3	3.6	n.a.	1.2	1.1	0.9	n.a.	13.9	8.1
Greenland Hong Kong Holdings	337 HK	HKD	2.840	7,929	2.7	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.
China South City Holdings	1668 HK	HKD	0.860	6,959	2.6	3.7	3.2	3.1	0.2	0.2	0.2	0.2	6.0	4.1
Fantasia Holdings Group Co	1777 HK	HKD	1.000	5,773	5.2	4.4	3.8	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Dafa Properties Group Ltd	6111 HK	HKD	6.260	5,183	13.6	8.8	7.9	10.5	1.1	1.0	0.9	n.a.	9.3	2.7
Sunkwan Properties Group Ltd	6900 HK	HKD	2.490	5,162	9.6	n.a.	n.a.	n.a.	1.9	n.a.	n.a.	n.a.	n.a.	n.a.
Beijing Capital Land Ltd-H	2868 HK	HKD	0.980	4,276	87.1	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	n.a.	n.a.	n.a.
Shanghai Industrial Urban De	563 HK	HKD	0.800	3,845	7.4	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Minmetals Land Ltd	230 HK	HKD	0.860	2,878	25.6	3.2	2.2	n.a.	0.2	0.3	0.3	n.a.	7.6	10.5
Modern Land China Co Ltd	1107 HK	HKD	0.830	2,320	2.8	2.6	2.0	1.9	0.3	0.2	0.1	0.1	11.0	10.0
Glorious Property Holdings	845 HK	HKD	0.238	1,855	21.2	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average					13.2	3.9	3.4	3.7	0.7	0.5	0.5	0.3	12.5	8.2
Weighted Average					9.8	3.8	3.3	3.4	0.7	0.6	0.5	0.4	13.9	8.4

Source: Bloomberg, Guotai Junan International.

9 April 2021

Shenzhen Invest 深圳控股 (00604 HK)

Company Report

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (HK\$ m)	2019A	2020A	2021F	2022F	2023F
Total revenue	14,919	18,803	23,733	28,380	33,032
- Sales of properties	10,532	14,080	17,811	21,124	24,377
- Other revenue	4,388	4,723	5,922	7,256	8,655
Cost of sales	(9,794)	(9,988)	(13,646)	(17,198)	(20,414)
Gross profit	5,125	8,815	10,087	11,182	12,618
Other income and gains, net	315	2,134	1,159	1,252	1,332
Fair value gains on IPs	434	(676)	178	185	193
Change in FV upon transfer to IPs	959	(2)	713	741	770
Fair value gains on financial assets	341	(469)	205	142	145
SG&A	(1,388)	(1,352)	(1,733)	(2,072)	(2,411)
Other operating expenses	(587)	(578)	(783)	(937)	(1,090)
Operating profit	5,200	7,871	9,826	10,494	11,557
Finance income/(costs), net	(561)	(992)	(1,427)	(1,543)	(1,649)
Share of results of JVs and associates	2,046	1,254	1,505	1,806	2,167
Profit before tax	6,685	8,134	9,904	10,758	12,075
Income tax	(2,307)	(4,170)	(3,602)	(3,958)	(4,456)
Profit after tax	4,377	3,963	6,302	6,800	7,620
Non-controlling interest	(314)	(241)	(410)	(428)	(457)
Shareholders' profit / loss	4,063	3,723	5,893	6,372	7,163
Underlying net profit	3,062	4,553	5,240	5,739	6,505
Basic EPS (HK\$/share)	0.475	0.420	0.662	0.716	0.805
Underlying EPS (HK\$/share)	0.358	0.514	0.589	0.645	0.731

Cash Flow Statement					
Year end 31 Dec (HK\$ m)	2019A	2020A	2021F	2022F	2023F
Operating activities					
Profit before taxation	6,685	8,134	9,904	10,758	12,075
Finance costs	561	992	1,427	1,543	1,649
D&A	237	234	269	293	315
Fair value gains on IPs	(434)	(240)	(178)	(185)	(193)
Share of results of JVs & associates	(2,046)	(1,254)	(1,505)	(1,806)	(2,167)
Interest income	(218)	(352)	(374)	(432)	(475)
Others	(1,017)	(1,656)	(1,573)	(1,571)	(1,637)
Changes in working capital:	4,522	(11,025)	(6,014)	(5,742)	(6,110)
Net cash from operations	8,289	(5,167)	1,956	2,856	3,457
Taxes paid	(3,013)	(2,746)	(1,578)	(2,625)	(2,301)
Interest paid	(1,264)	(1,492)	(1,427)	(1,543)	(1,649)
Cash from operating activities	4,012	(9,405)	(1,049)	(1,311)	(493)
Investing activities					
Interest received	155	352	374	432	475
Dividends received	401	1,627	659	692	727
Purchases of PPE	(552)	(564)	(712)	(709)	(661)
Additions to IPs	(619)	(625)	(631)	(638)	(641)
Disposal of PP&E, IPs	7	118	122	128	134
Other investing cash flow	784	1,419	21	18	14
Cash from investing activities	177	2,326	(166)	(77)	48
Financing activities					
Bank and other borrowings raised, net	(698)	6,530	3,083	2,374	1,814
Dividends paid	(529)	(876)	(1,075)	(729)	(800)
Loans from related parties, net	(2,691)	7,986	1,818	1,633	1,244
Other financing cash flow	(198)	(49)	40	39	35
Cash from financing activities	(4,116)	13,591	3,865	3,316	2,293
Net changes in cash	72	6,513	2,649	1,929	1,848
Cash at beginning of year	9,832	9,653	16,166	18,816	20,744
Exchange losses	(251)	0	0	0	0
Cash at end of year	9,653	16,166	18,816	20,744	22,592

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (HK\$ m)	2019A	2020A	2021F	2022F	2023F
PPE	6,103	6,308	6,732	7,130	7,454
Investment properties	34,242	35,651	37,066	38,519	40,008
Interests in associates & JVs	12,131	13,898	15,403	17,209	19,376
Deferred tax assets	1,803	2,632	3,070	3,227	3,502
Other financial assets	9,037	7,606	7,782	7,898	8,020
Other non-current assets	391	415	419	425	431
Total non-current assets	63,707	66,510	70,473	74,408	78,790
Properties for sale	21,457	17,562	22,831	27,397	31,507
Properties under development	22,277	40,747	44,822	48,855	52,764
Prepayments, deposits & Rec.	5,230	8,529	10,235	12,078	13,889
Restricted cash	2,720	2,544	2,798	3,022	3,204
Cash & cash equivalents	9,653	16,166	18,816	20,744	22,592
Other current assets	228	217	256	298	341
Total current assets	61,565	85,766	99,758	112,395	124,296
Total assets	125,273	152,276	170,231	186,803	203,086
Bank and other borrowings	8,406	12,740	14,014	14,995	15,745
Lease liabilities	103	115	138	159	175
Payables and accruals	15,700	14,830	18,182	21,411	24,180
Contract liabilities	18,101	19,718	21,690	23,425	24,597
Tax payable	6,248	10,331	10,895	11,618	12,679
Due to the holding Company	2,499	9,279	11,134	12,805	14,085
Total current liabilities	51,057	67,013	76,053	84,413	91,460
Bank and other borrowings	15,892	18,089	19,897	21,290	22,355
Deferred income	8,821	9,491	11,390	12,156	13,524
Other non-current liabilities	1,131	2,277	2,258	2,240	2,223
Total non-current liabilities	25,844	29,857	33,545	35,686	38,103
Total liabilities	76,901	96,870	109,598	120,099	129,563
Total shareholders' equity	44,475	50,624	55,442	61,085	67,447
Minority interest	3,898	4,782	5,191	5,620	6,077
Total equity	48,372	55,406	60,633	66,704	73,524

Financial Ratios					
	2019A	2020A	2021F	2022F	2023F
Revenue Growth (%)	(10.4)	26.0	26.2	19.6	16.4
Gross Profit Growth (%)	(14.2)	72.0	14.4	10.9	12.8
Shareholders' Net Profit Growth (%)	19.0	(8.4)	58.3	8.1	12.4
Underlying Net Profit Growth (%)	(2.7)	48.7	15.1	9.5	13.4
Gross Margin (%)	34.4	46.9	42.5	39.4	38.2
Operating Profit Margin (%)	34.9	41.9	41.4	37.0	35.0
Reported Net Margin (%)	27.2	19.8	24.8	22.5	21.7
Underlying Net Margin (%)	20.5	24.2	22.1	20.2	19.7
ROE (%)	9.4	7.8	11.1	10.9	11.1
ROA (%)	3.3	2.7	3.7	3.6	3.7
Net Debt to Total Equity Ratio (%)	24.7	21.9	20.3	18.8	16.7
Net Gearing (%)	26.8	23.9	22.2	20.5	18.2
Interest Coverage Ratio	12.9	9.2	7.9	8.0	8.3
Underlying P/E (x)	7.9	5.5	4.8	4.4	3.9
P/E (Basic) (x)	5.9	6.7	4.3	3.9	3.5
P/E (Diluted) (x)	5.9	6.7	4.3	3.9	3.5
P/B (x)	0.5	0.5	0.5	0.4	0.4
Dividend Yield (%)	6.4	6.4	9.4	10.2	11.4

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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