

Analyst: Sabina Cheng

Main Board Listing – Research

恒盛地產控股有限公司

Glorious Property Holdings Limited [Stock Code: 00845]

Joint Sponsors	:	J.P. Morgan Securities (Asia Pacific) Limited Deutsche Bank AG, Hong Kong Branch
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	:	J.P. Morgan Securities (Asia Pacific) Limited Deutsche Bank AG, Hong Kong Branch UBS AG, Hong Kong Branch

Sector : Real Estate

Business : Real Estate development and investment

Total share offer: <u>2,250,000,000</u> shares* (28.78% of the enlarged share capital) Public Offer: 168,750,000 shares (10%) Placing: 2,081,250,000 shares (90%) Green shoes: 337,500,000 shares <i>*Comprising 1,875,000,000 new Shares and 375,000,000 Sale Shares)</i>	<u>Business of Glorious Property (“The Group”)</u> <p>The Group is one of the leading property developers focused on the development and sale of high quality properties in key economic cities in the PRC. It began its real estate development business in Shanghai in 1996 with its first property development project, Sunshine Greenland in Xuhui District. In 2003, it entered the Tianjin property market through its project Sunshine Holiday. At present, its business has extended to Beijing, Wuxi, Shenyang, Suzhou, Hefei, Nantong and Harbin, offering a wide range of products, including apartments, townhouses, retail properties, offices and hotels.</p> <p>As of 31 July 2009, with 19 projects in various development stages across China, the Group has delivered Gross floor area (GFA) of more than 2.8 million square meters, of which over 2 million square meters in Shanghai. In terms of landbank, the Group has about 13.6 million square meters in prime locations in various cities in China. Tier- I and Tier-II cities accounted for around 40% and 60% of the landbank respectively.</p>
Price: HK\$4.00 – HK\$5.30 per share Market Cap: HK\$31.28 billion – HK\$41.03 billion Pro forma FY09 P/E: 13.8x – 18.1x Adjusted NTA per share: HK\$1.21 – HK\$1.53 Staffing: 740 (as of 31 st July 2009)	
HK Public Offer period: 21 st Sep 2009 – 24 th Sep 2009 noon Receiving bankers: Standard Chartered Bank (HK) Limited The Bank of East Asia, Limited Hong Kong Share registrar: Computershare Hong Kong Investor Services Listing date: 2 nd October 2009	

Shareholders after Listing (Assuming the over-allotment option is not exercised)

Best Era – a company which is wholly-owned by Mr Zhang Zhi Rong, the founder and Chairman of the Group’s Board of Director.	66.14%
DESCIA and D.E. Shaw Composite Portfolios, L.L.C. – two of the independent third parties	2.82%
Affiliates of Goldman Sachs – all are independent third parties.	1.51%
Deutsche Bank and its affiliates – all are independent third parties	0.10%
Euro Crown Limited – an independent third party	0.66%
Public shareholders – an independent third party	28.77%
	100.00%

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**Use of Proceeds**

Net proceeds from the offer are estimated to be HK\$8.38 billion (based on an offer price of HK\$4.65, being the mid-point of the indicative price range and assuming the over-allotment option is not exercised)

	% of total
To fund the development of projects like Baoshan Gaojing in Shanghai (15% of the net proceeds), Bashang Jie in Hefei (15%), and new project acquisition and development in China (40%).	70
For the repayment of Promissory Notes	20
For general corporate and working capital purposes	10

Financial Highlights

	Year ended 31 st Dec			Four months ended	
	2006	2007	2008	30 th April 2008	30 th April 2009
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Turnover	1,718,132	1,791,942	3,948,959	975,811	933,980
Gross profit	627,020	627,124	1,655,620	513,245	453,133
Operating profit	495,367	426,713	2,137,276	386,834	1,070,392
Profit attributable to shareholders	259,184	108,094	1,254,991	174,726	773,538
Gross profit margin	36.5%	35.0%	41.9%	52.6%	48.5%
Operating profit margin	28.8%	23.8%	54.1%	39.6%	114.6%
Net profit margin	15.1%	6.0%	31.8%	17.9%	82.8%

Strengths/Opportunities

- ✓ The Group is a leading developer in Shanghai, currently has a landbank of 13.6 million square meters in nine key cities in the Pan-Bohai Rim (PBH) and the Yangtze River Delta Region (YRD). These regions are expected to provide strong support to the Group's development plans for the next five to seven years. YRD is believed to be a key area driving the economic development of the whole nation while PBH should continue to trail the growth in YRD and be another engine of economic growth.
- ✓ It is expected that from 2009 to 2011, the company's revenue will mainly be from Tier-I cities, particularly from Shanghai. Its flagship project, Shanghai Bay, overlooking the Shanghai World Expo venue across the Huangpu River, will contribute significantly to its earnings growth in the coming three years. In addition, the Group intends to prudently expand its residential exposure to other high growth cities (in the YRD Region, the PBH Rim, Northeastern China and the Pearl River Delta Region), as well as to achieve a diversified earnings base by increasing its exposure in the investment property development business.
- ✓ Shares of Glorious Properties are believed to be traded between 36% and 51% discount to its 2010 NAV, which should be fairly valued, given that the Group's investors are likely to attach a larger discount to this company because its short track record. Among closest peers with high project exposures to YRD and PBH, Shui On Land and Shimao Property are now trading at 39% discount and 6% discount its respective 2010 NAV respectively while Sino Ocean Land is trading at a 9% premium to its 2010 NAV.

Weaknesses/Threats

- × The industry is subject to the China government's policy risk on real estate market. Besides, competition is increasing in the Group's target market, especially in Tier-I cities. Any oversupply of properties available for sale could eat into the profit margins of property sales. Additionally, not all of its landbank has landuse rights. As of July 2009, the Group had not obtained the landuse rights for about GFA 2.89 million square meters of its landbank, representing some 20% of its existing landbank.

Recommendation: Subscribe



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