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HONG KONG RESEARCH
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Analyst: Kelvin Li

SINO LAND COMPANY LIMITED (信和置業)

Sector	:	Properties
HKSE Code	:	0083
Market Price	:	HK$13.30 (18/09/2006)
HSI	:	17,387.21 (18/09/2006)
Shares Issued	:	4,303.455 million
Market Cap.	:	HK$59,731.96 million
52-week Hi / Lo	:	HK$14.00 / HK$8.00

Chairman : Robert Ng Chee Siong

SUMMARY OF THE FINAL RESULTS FOR THE YEAR ENDED 30TH JUNE 2006

Final Results Highlights

	FY2005/06	FY2004/05 (restated)	
	HK$ million	HK$ million	*Change*
• Turnover	8,328.3	4,150.7	*+100.6%*
• Increase in fair value of investment properties	1,198.0	1,828.5	*-34.5%*
• Share of results of associates	1,270.1	2,146.8	*-40.8%*
• **Profit attributable to shareholders**	**6,017.3**	**5,176.0**	*+16.3%*
	HK$	HK$	
• EPS	1.3961	1.1973	*+16.6%*
• DPS – Interim	0.0850	0.0850	*+0.0%*
• DPS – Final	0.3000	0.1150	*+160.9%*
• DPS –Total	0.3850	0.2000	*+92.5%*

- Sino Land ("the Group") reported a 16.3% y-o-y rise in net profit to HK$6.02 billion for the year ended 30th June 2006, thanks to a jump in property sales. Excluding the revaluation gain on investment properties net of deferred tax of HK$1.29 billion, the Group's underlying net profit would have surged by a sharp 91% y-o-y to HK$4.73 billion, higher than market expectations of HK$4.56 billion.
- Turnover amounted to HK$8.33 billion in FY05/06, more than double from a year earlier, which was mainly driven by sales of the *One SilverSea* residential project in West Kowloon. Meanwhile, share of profit from associates fell 40.8% y-o-y to HK$1.27 billion. In fact, stripping out property revaluation gains, share of profit from associates was up by more than 10% y-o-y, thanks to sales of *Mount Beacon* at Kowloon Tong and two other Mainland residential projects.
- EPS rose 16.6% y-o-y to HK$1.3961. A final DPS of HK$0.30 was proposed. Along with the interim dividend, total payout for FY05/06 was HK$0.385 per share, leading to an underlying payout ratio at 35% (FY04/05: 35%).
- In Sep 2005, Sino Land acquired through public auction, 2 plots of adjacent land in Tai Kok Tsui, West Kowloon, (near the Olympic City complex) for residential and retail development, with an attributable gross floor area of 547,987 sq ft. As of 30/06/2006, the Group's land bank, including properties held for sale, properties under development and completed investment properties, amounted to a total gross floor area of approximately 27.5 million sq ft, of which 57% is residential, 27% commercial, 8% industrial, 5% car parks and 3% hotels (30/06/2005: 27.85 million sq ft).
- As of 30/06/2006, the Group's net-debt to equity ratio was 34%, up from 15% a year earlier, as total debt increased by 105% y-o-y to HK$16.9 billion. The increase in debt level was mainly due to funding needs for acquisitions of the two land sites in Tai Kok Tsui.

Business highlights

- Breakdown of turnover

	FY2005/06		FY2004/05		
	HK$ million	%	HK$ million	%	*Change*
Property rental	998.3	12.0%	868.2	20.9%	*+15.0%*
Property sales	6,475.2	77.7%	2,498.9	60.2%	*+159.1%*
Hotel operations	321.5	3.9%	278.7	6.7%	*+15.4%*
Management services	439.0	5.3%	417.9	10.1%	*+5.1%*
Share investment and dealing	77.8	0.9%	62.9	1.5%	*+23.7%*
Financing	16.5	0.2%	24.2	0.6%	*-31.6%*
Total	8,328.3	100.0%	4,150.7	100.0%	*+100.6%*

- Rental revenue from **investment properties** increased 15.0% y-o-y to HK$998.3 million. Including contributions from its associates, the Group's gross rental income totalled HK$1.23 billion, up 14% y-o-y, fuelled by strong growth momentum of its retail portfolio, which included *Tuen Mun Town Plaza Phase I*, *Olympic City I & II*, *Tsim Sha Tsui Centre* and *China Hong Kong City*.
- **Property sales** rebounded in the second half and boosted revenue of property development by 159.1% y-o-y, thanks to the completion of the *One SilverSea* project in West Kowloon. Meanwhile, completion of the 33%-owned *Mount Beacon* in Kowloon Tong, the 50%-owned *One HoneyLake, Phase I* in Shenzhen and *Chengdu International Community, First Phase* in Chengdu, Sichuan province also helped boost the segment's earnings in FY05/06.
- Income from **hotel operations** increased 15.4% y-o-y to HK$321.5 million in FY05/06. The occupancy rates for the year ended 30/06/2006 of *City Garden Hotel, Conrad Hong Kong* and *Royal Pacific Hotel & Towers* were 87.3%, 80.7% and 81.9% (FY04/05: 88.5%, 85.6% & 83.2%) respectively, while average room rates showed growth ranging from 13.6%-18.9% y-o-y during the year.

Outlook & Prospects

- ***Presence in West Kowloon strengthened*** Sino Land bought two plots of residential/retail land in West Kowloon, near its *Olympian City 2* shopping mall which is adjacent to the Olympic MTR station. Along with other nearby premises in which Sino Land held interests, like *Olympian City 1*, *One SilverSea*, *Island Harbourview*, *Park Avenue* and *Central Park*, the Group has built up a sizable residential/retail hub in West Kowloon, which should not only provide economy of scale synergies but also strengthen Sino Land's presence in the fast-growing West Kowloon district.
- ***Better tenant mix to boost rental income*** According to Sino Land's management, *Olympic City* showed a strong pedestrian flow during six months ended 30/06/2006. Besides, thanks to a better tenant mix, Sino Land also achieved a 20%-30% rise in rental rates for new tenants and renewals.
- ***Strong property sales momentum to stay intact in FY06/07*** The Group plans to complete one HK and three Mainland property development projects in FY06/07, with a gross floor area of over 2.2 million sq ft. *Vision City* of 1.4 million-sq ft in Tsuen Wan was launched in April 2006 and received good buying interest. The project should not only boost property sales in FY06/07 but also help foster Sino Land's retail portfolio and its presence in the highly populated Tsuen Wan area.
- ***Hold for value*** The FY05/06 result was proven a fruitful year for Sino Land, thanks to a revived HK property market. Despite profit in FY06/07 is expected to be lower after the successful launch of *One SilverSea* last year, we believe the Group's property sales and its rental portfolio should continue to perform well, given its abundant land reserve as well as good positioning of its retail rental premises. Trading at 14x FY06/07E P/E and a 5% NAV discount, Sino Land's valuation is not demanding and we recommend a "HOLD" on the counter.

Recommendation: HOLD

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