BEA securities

EAST ASIA SECURITIES COMPANY LIMITED
9/F, 10 Des Voeux Road Central, Hong Kong.
Dealing: 3608 8000 Research: 3608 8096 Facsimile: 3608 6132

HONG KONG RESEARCH
19th September 2007

Analyst: Anita Hwang

SINO LAND COMPANY LIMITED (信和置業)

Sector	:	Properties	Chairman	:	Robert Ng Chee Siong
HKSE Code	:	0083			
Market Price	:	HK$20.20 (18/09/2007)			
HSI	:	24,576.85 (18/09/2007)			
Shares Issued	:	4,603.806 million			
Market Cap.	:	HK$92,996.89 million			
52-week Hi / Lo	:	HK$22.35 / HK$13.12			

SUMMARY OF THE FINAL RESULTS FOR THE YEAR ENDED 30TH JUNE 2007

Final Results Highlights

	FY2006/07 HK$ million	FY2005/06 HK$ million	*Change*
• Turnover	7,532.1	8,328.3	-9.6%
• Increase in fair value of investment properties	2,415.9	1,198.0	101.7%
• Share of results of associates	1,313.7	1,270.1	3.4%
• **Profit attributable to shareholders**	**6,267.3**	**6,017.8**	4.2%
	HK$	HK$	
• EPS	1.3961	1.3963	-
• DPS – Interim	0.085	0.085	-
• DPS – Final	0.3	0.3	-
• DPS –Total	0.385	0.385	-

- Sino Land ("the Group") reported a 4.2% y-o-y rise in net profit to HK$6.27 billion for the year ended 30th June 2007. Excluding the revaluation gain on investment properties net of deferred tax of HK$2.363 billion, the Group's underlying net profit dropped 17.4% y-o-y to HK$3.90 billion, largely in-line with consensus forecasts.
- Turnover declined 9.6% y-o-y to HK$7.53 billion in FY06/07, as lower property sales was booked than in the previous fiscal year. Meanwhile, share of profit from associates edged up 3.4% y-o-y to HK$1.31 billion. Share of results of associates included an increase in fair value of investment properties of the associates of HK$524 million (FY06: HK$349.6 million).
- EPS was flat at HK$1.3961. A final DPS of HK$0.30 was proposed. Along with the interim dividend, total payout for FY06/07 was HK$0.385 per share, representing an underlying payout ratio at 44% (FY05/06: 35%).
- As at 30/06/2007, the Group had a land bank of approximately 26.5 million sq. ft of attributable GFA comprising a balanced portfolio of properties of which 55% is residential; 28% commercial; 9% industrial; 5% car parks and 3% hotels. Subsequent to the end of FY07, the Group acquired 2 additional plots of land in Chengdu and Chongqing through land auctions. On completion, these 2 projects will provide a total attributable GFA of over 18.6 million sq. ft.
- As of 30/06/2007, the Group's net-debt to equity ratio was 25.4%, down from 27.1% a year earlier. The drop in gearing was mainly due to the receipt of sales proceeds from the sale of residential units in One SilverSea, Vision City, The Royal Oaks and St. Andrews Place.

Business highlights

- Breakdown of turnover

	FY2006/07		FY2005/06		
	HK$ million	%	HK$ million	%	*Change*
Property rental	1,148.6	15.3%	998.3	12.0%	15.1%
Property sales	5,365.2	71.2%	6,475.2	77.7%	-17.1%
Hotel operations	395.7	5.3%	321.5	3.9%	23.1%
Management services	530.7	7.0%	439.0	5.3%	20.9%
Share investment and dealing	76.9	1.0%	77.8	0.9%	-1.3%
Financing	15.0	0.2%	16.5	0.2%	-9.4%
Total	**7,532.1**	**100.0%**	**8,328.3**	**100.0%**	**-9.6%**

- Rental revenue from **investment properties** increased 15.1% y-o-y to HK$1,148 million. Including contributions from its associates, the Group's gross rental income totalled HK$1.607 billion, up 14.8% y-o-y, fuelled by positive rental reversions in all sectors of the retail portfolio and overall occupancy.

- **Property sales** recorded a decline of 17.1% y-o-y to HK$5.37 billion mainly due to FY06's high base from the booking of One SilverSea, Mount Beacon and Parc Palais. Major contributions in FY07 were mainly from Vision City, St Andrews Place, The Royal Oaks and remaining stock of One Silversea and Mount Beacon.

- Income from **hotel operations** increased 23.1% y-o-y to HK$395.7 million in FY07. Improvement in occupancy rates and average room rates were seen in most of the Group's hotels operation, especially at Conrad Hong Kong and Fullerton Hotel in Singapore.

Outlook & Prospects

- ***Local property portfolio*** The Group has delayed its expected completion time for Ho Tung Lau project (GFA 1.3m sq ft) from FY08 to FY09, which was originally expected to be a key contributor for FY08E (some HK$2.2 billion gross profit contribution). For the rest of 2007, the Group plans to launch the pre-sale of one of Wu Kai Sha or Ho Tung Lau project. Going forward, inventory from higher-margin projects like Vision City and One SilverSea is running out. Development margin may be under pressure, as the new projects will generally incur higher land costs.

- ***China Property*** The recent acquisition of Chongqing and Chengdu sites marked the clear direction of the Group to expand in China. The bigger projects like these two will not be completed in the next 2-3 years. The Group has committed some RMB15 billion on approximately 28 million sq. ft of attributable GFA in China. The outstanding land cost is about HK$6 billion. The Group target to double its land bank in the next 1-1.5 years with a target budget for HK$20 billion.

- ***Hold for value*** We believe the Group's rental portfolio and development schedule are its competitive edges. However, the near-term share price overhang is the delay in the completion of Ho Tung Lau project. China projects provide long-term growth but would not see much earnings contribution in the coming 1-2 fiscal years. Trading at about 29x FY07/08E PER and roughly at par to FY07/08E NAV of HK$20.1, the counter should be fairly valued and we recommend a "HOLD" on the counter.

Recommendation: HOLD

Important Disclosure / Analyst Certification / Disclaimer

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA).

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Information and opinions expressed herein reflect a judgment as of the date of this document and are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction, publication, availability or use would be contrary to law and regulation.