

SINO LAND COMPANY LIMITED (信和置業)

Sector	: Properties
HKSE Code	: 0083
Market Price	: HK\$9.15 (23/09/2005)
HSI	: 15,143.97 (23/09/2005)
Shares Issued	: 4,322 million
Market Cap.	: HK\$39,546.3million
52-week Hi / Lo	: HK\$9.600 / HK\$5.550

Chairman : Robert Ng Chee Siang

SUMMARY OF THE FINAL RESULTS FOR THE YEAR ENDED 30TH JUNE 2005
Final Results Highlights

	FY2004/05 HK\$ million	FY2003/04 HK\$ million	Change
• Turnover	4,151	4,230	-1.9%
• Increase in fair value of investment properties	1,829	Nil	N/A
• Operating profit	3,805	1,224	+210.9%
• Results attributable to associates	2,439	510	+378.2%
• Profit attributable to shareholders	5,225	1,409	+270.9%
	<u>HK¢</u>	<u>HK¢</u>	
• EPS	120.87	35.32	+242.2%
• DPS – Final	11.50	7.00	+64.3%

- Sino Land reported a 270.9% y-o-y rise in net profit to HK\$5.23 billion for the year ended 30/06/2005, lifted by higher contributions from its associates and gains arising from revaluation of its investment properties. Excluding the HK\$2.70 billion revaluation gain under new accounting policies, net profit still surged by 70.9% y-o-y to HK\$2.52 billion, higher than market expectations of HK\$2.06 billion.
- Turnover dropped 1.9% y-o-y to HK\$4.15 billion on a 4.3% y-o-y decline in property sales. However, it was mainly due to an increased proportion of contribution from associates in property sales, which jumped 378.2% y-o-y to HK\$2.44 billion, rather than a real slowdown in the Group's property sale activities.
- EPS increased 242.2% y-o-y to HK¢120.87. The Group recommended a final DPS of HK¢11.50, bringing the full-year DPS to HK¢20.00, up 66.7% y-o-y. This represents a payout ratio of 16.5% (FY2003/04: 34.0%).
- During the year, Sino Land acquired 10 plots of land for residential, office and retail developments, with a total gross floor area of 8.08 million sq ft. As of 30/06/2005, 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 27.85 million sq ft, of which 58% is residential, 25% commercial, 9% industrial, 6% car parks and 2% hotels (30/06/2004: 21.30 million sq ft).
- As of 30/06/2005, the Group's net gearing was 22.7% (30/06/2004: 11.5%), with cash on hand of HK\$3.58 billion (30/06/2004: 3.61 billion). In November 2004, Sino Land, via its wholly-owned subsidiary, issued HK\$2.5 billion 1.625% guaranteed convertible bonds due 2009.

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Business highlights

- Breakdown of turnover

	FY2004/05		FY2003/04		Change
	HK\$ million	%	HK\$ million	%	
Property rental	868	20.9	830	19.6	+4.5%
Property sales	2,499	60.2	2,612	61.7	-4.3%
Hotel operations	279	6.7	253	6.0	+10.1%
Management services	418	10.1	421	10.0	-0.8%
Share investment and dealing	63	1.5	59	1.4	+6.4%
Financing	24	0.6	54	1.3	-55.5%
Total	4,151	100.0	4,230	100.0	-1.9%

- Rental revenue from **investment properties** increased 4.5% y-o-y to HK\$868 million on higher occupancy and improved rental rates. Including contributions from its associates, the Group's gross rental income was HK\$1.23 billion, up 8.2% y-o-y. During the year, the Group added 0.1 million sq ft of rental properties from the completion of *Oceania Heights* shopping mall and the acquisition of *Rosedale Garden* shopping mall, bringing the total gross floor area of completed investment properties to 9.3 million sq ft.
- Property sales** fell 4.3% y-o-y to HK\$2.50 billion, as a larger proportion of sales was being reported at the associate level. Projects completed and booked in the year included *Residence Oasis* in Tseung Kwan O, *The Royal Oaks* in Sheung Shui, *Oceania Heights* in Tuen Mun, *The Cairnhill* in Tsuen Wan, *Anglers' Bay* in Sham Tseng, *Caldecott Hill* on Piper's Hill and *Colonnades Court* in Xiamen, the PRC. Approximately 99.5% of the units in these projects have been sold.
- Mount Beacon*, a luxury residential project in Kowloon Tong, in which Sino Land has a 33.3% interest, was launched in July 2005, and *One SilverSea* in West Kowloon is scheduled for sales in the coming fiscal year.
- Income from **hotel operations** increased 10.1% y-o-y to HK\$279 million, benefiting from high occupancy rates among hotels that the Group held interests. The occupancy rates of *City Garden Hotel*, *Conrad Hong Kong* and *Royal Pacific Hotel & Towers* were 88.5%, 85.6% and 83.2%, respectively.

Outlook & Prospects

- Sufficient development land bank** Sino Land has aggressively replenished its land bank over the past 12 months, adding 2.95 million sq ft of gross floor area in Hong Kong and 5.13 million sq ft in the PRC. More than 86% of its 17.81 million sq ft development land bank could provide for residential projects over the next 5 to 6 years. The Group's exposure to residential market in terms of its market capitalisation is among the highest in the property sector.
- Rising rental income** Sino Land has added 0.1 million sq ft into its investment property portfolio over the year and is set to complete some 1 million sq ft of office and retail spaces in the next few years. Low office vacancy and a buoyant tourism should help further increase the Group's rental income.
- Share buyback program** During the year, Sino Land bought back a total of 29.27 million shares at an aggregate consideration of HK\$218 million. The share buyback program, which aims at enriching shareholders' value, should provide support to the counter's share price performance.
- Outlook stays positive** The counter has outperformed the HS Properties sub-index by nearly 40% in the past 12 months. Trading at 14.4x FY2005/06E P/E, positive factors such as low-cost land bank have largely been priced in. However, given its ample residential project pipelines, the counter should continue to benefit from a shrinking supply of residential lands.

Recommendation: Out-perform