

FIG
Real Estate
Equity – Hong Kong

Overweight

Target price (HKD)	14.60
Share price (HKD)	11.60
Forecast dividend yield (%)	4.3
Potential return (%)	30.2

Note: Potential return equals the percentage difference between the current share price and the target price, plus the forecast dividend yield

Performance	1M	3M	12M
Absolute (%)	-7.8	-4.6	10.1
Relative ^A (%)	-4.6	-10.0	-1.3

Index^A HANG SENG INDEX

RIC 0083.HK
Bloomberg 83 HK

Market cap (USDm) 9,056
Market cap (HKDm) 70,343

Enterprise value (HKDm) 33513
Free float (%) 38

Note: (V) = volatile (please see disclosure appendix)

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Sino Land (83 HK)

OW: Takeaways from Europe NDR

- **Solid business with a diverse primary launch pipeline and mid-end retail rental portfolio**
- **Stock offers a favourable risk-reward profile trading at 46% NAV discount and offering 4.3% dividend yield**
- **We have an Overweight rating and an unchanged target price of HKD14.6**

Investors focused on HK residential and retail leasing businesses. We recently hosted a non-deal roadshow for Sino Land in Europe. Investor interest focused on the impact of the latest housing measures on the HK residential market, sustainability of retail rental growth within Sino Land's portfolio and the company's land acquisition plans. The latest company update shows a steady business despite sector headwinds. With Sino Land stock trading at a 46% NAV discount and offering 4.3% FY15e dividend yield, we see a favourable risk-reward profile.

Residential sales helped by a diverse pipeline. Despite the latest housing measures in HK announced in late February, including a lower loan-to-value ratio (LTV) of 60% allowed for homes worth up to HKD7m, Sino Land believes the potential policy impact would be mitigated by the company's diverse primary launch pipeline, including mid-end and luxury residential projects (more details in the table below). Sino Land shows continuing interest in land acquisitions under a disciplined and selective approach, which should be supported by its strong balance sheet (net cash as of end-2014). It will focus on land opportunities in HK and is also open to selected projects outside HK.

Retail rental growth supported by mid-end retail exposure. On rental, despite the slowing overall retail sales in HK, the mid-end positioning and suburban locations of Sino Land's retail malls, together with active trade mix management, should support continuing retail sales growth, thus driving positive retail rental growth in 2015, according to management. Sino Land reported 7% y-o-y gross rental growth (including associates) in 1HFY15.

We have an OW rating and a target price of HKD14.6. Our unchanged target price is based on a 32% discount (or 0.5 SD below historical average) to our NAV estimate of HKD21.6. We believe Sino Land is in a solid position amid uncertainties faced by the HK residential market with a strong balance sheet, while catalysts such as more residential launches and/or land acquisitions should help narrow the stock's 46% NAV discount. Our FY15-17e earnings remain unchanged (largely in line with Bloomberg consensus). Downside risks include lower ASP achieved.

Financials & Valuation: Sino Land

Overweight

Financial statements

Profit & loss summary (HKDm)	06/2014a	06/2015e	06/2016e	06/2017e
Property sales revenue	2,741	19,586	9,477	9,403
Property Inv't & other revenue	4,710	5,205	5,527	5,774
Cost of sales	(2,848)	(18,903)	(10,297)	(9,216)
Gross profit	4,603	5,888	4,707	5,961
SG&A	(665)	(682)	(699)	(717)
Other income and gains	1,323	0	0	0
Operating profit/EBIT	5,261	5,206	4,008	5,245
Net interest expense	135	229	289	394
Asso & JCE's	1,638	1,307	1,782	749
Revaluation gains	3,290	0	0	0
PBT	10,324	6,742	6,080	6,387
Taxation	(1,281)	(904)	(727)	(966)
Minority interests	(122)	(717)	(123)	(78)
Net profit	8,921	5,122	5,230	5,343
Core Profit	5,022	5,122	5,230	5,343

Cash flow summary (HKDm)

Cash flow from operations	2,958	676	5,096	3,279
Capex	(427)	(235)	(505)	(941)
Other investing activities	1,335	187	187	187
Other financing activities	1,243	65	66	68
Net change in cash	2,351	3,189	2,758	1,897
Cash at the beginning	11,620	13,970	17,159	19,917
Cash at the end	13,970	17,159	19,917	21,814

Balance sheet summary (HKDm)

Shareholders' funds	111,665	116,787	122,017	127,360
Long-term liabilities	7,920	10,276	7,836	6,383
Minority interests	1,284	2,001	2,124	2,202
Deferred items	1,714	1,748	1,783	1,819
Total capital employed	125,830	134,124	137,138	141,210
Fixed assets	58,302	58,362	58,670	59,419
Other assets	31,880	33,186	34,968	35,717
Current assets	46,747	55,372	58,103	63,197
Total assets	136,929	146,920	151,741	158,333

Ratio, growth and per share analysis

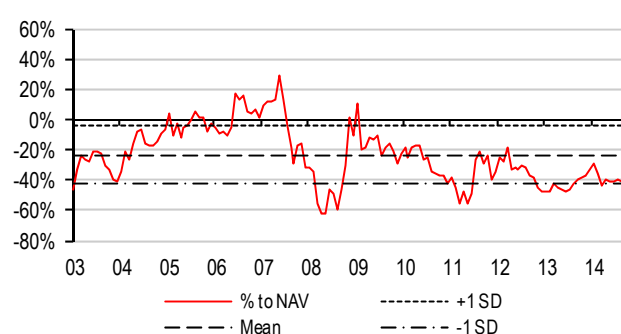
Year to	06/2014a	06/2015e	06/2016e	06/2017e
y-o-y % change				
Revenue	-5%	233%	-39%	1%
PBT	-17%	-35%	-10%	5%
Reported EPS	-24%	-43%	2%	2%
HSBC EPS	-24%	2%	2%	2%
Ratios (%)				
ROIC ex-exceptional	3%	4%	4%	4%
ROAE ex-exceptional	4%	4%	4%	4%
ROAA ex-exceptional	3%	4%	4%	3%
Operating margin	76%	23%	30%	38%
Core profit margin	53%	21%	35%	35%
Interest cover ex-exceptional (x)	22.4	18.5	17.1	22.9
Net debt(cash)/equity	-5%	-5%	-9%	-10%
Per share data (HKD)				
Reported EPS	1.47	0.84	0.86	0.88
HSBC EPS	0.83	0.84	0.86	0.88
DPS	0.50	0.50	0.50	0.50

Sino: NAV breakdown

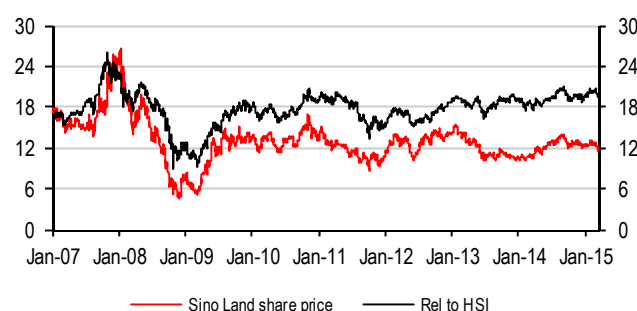
	Market Value (HKDm)	HKD/Share	% of total asset
Development properties:			
Office/Retail	404	0.1	0%
Residential	43,541	7.2	33%
Investment properties			
Office/Retail	75,877	12.5	58%
Residential	8,640	1.4	7%
Hotel Properties	3,466	0.6	3%
Net debt (excluding restricted cash)	(771)	(0.1)	
Outstanding LAT for China properties	0	0.0	
12m fwd NAV	131,158	21.6	

Source: HSBC estimates

NAV discount chart



Price relative



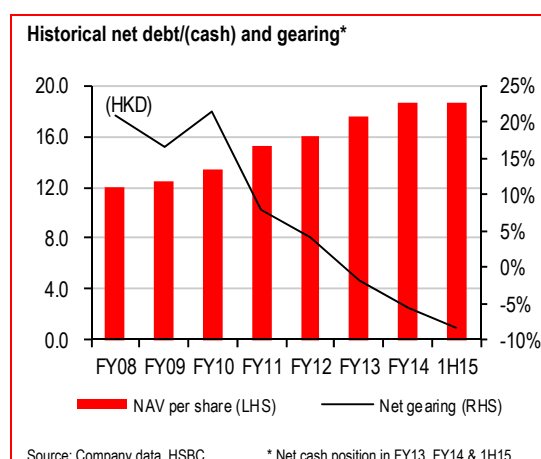
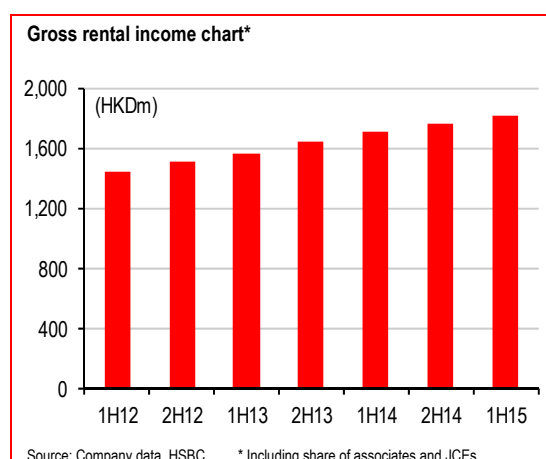
Note: Price at close of 17 March 2015

New project launches in Hong Kong in 2015

Project	Ownership	Usage	Plot ratio area		No. of residential units	
			Total (sq. ft.)	Attr. (sq. ft.)	Total	Attr.
Corinthia By The Sea, Tseung Kwan O	60%*	Residential/ Commercial	486,560	291,936	544	326
Lot1949 in DD221, Sai Kung	100%	Residential	249,133	249,133	274	274
Lot1180 in DD215, Sai Kung	100%	Residential	173,796	173,796	270	270
Botanica Bay, Lantau Island	100%	Residential	71,417	71,417	16	16
53 Conduit Road	100%	Residential	60,421	60,421	27	27
Total			1,041,327	846,703	1,131	913

Source: Company data, HSBC

*SL-60%, K Wah-40%



Valuation and risks

Our TP is unchanged at HKD14.6 and is based on a 32% target discount to our forward NAV of HKD21.6. Our target discount of 32% is benchmarked against 0.5 SD below historical average.

Key downside risks to our rating and earnings estimates are slower-than-expected sales for Sino Land's projects and/or lower-than-expected ASP achieved.

Disclosure appendix

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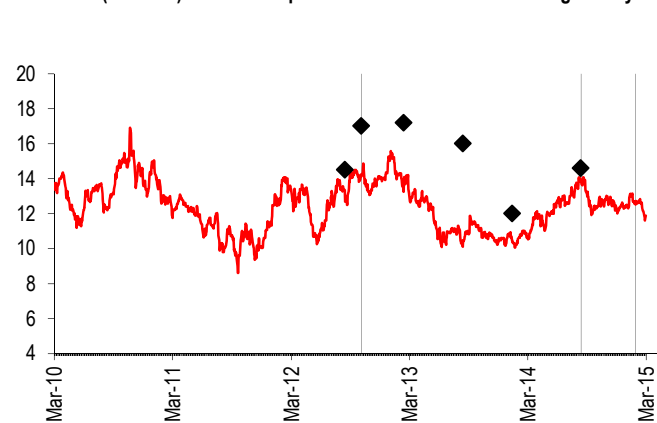
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Underweight (Sell)	20%	(20% of these provided with Investment Banking Services)

Share price and rating changes for long-term investment opportunities

Sino Land (0083.HK) Share Price performance HKD Vs HSBC rating history



Recommendation & price target history

From	To	Date
Neutral	Overweight	19 October 2012
Overweight	Neutral	27 August 2014
Neutral	Overweight	11 February 2015
Target Price	Value	Date
Price 1	14.50	29 August 2012
Price 2	17.00	19 October 2012
Price 3	17.20	27 February 2013
Price 4	16.00	28 August 2013
Price 5	12.00	27 January 2014
Price 6	14.60	27 August 2014

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
SINO LAND	0083.HK	11.88	16-Mar-2015	6

Source: HSBC

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