



Company Report: Sino Land (00083 HK)

公司报告: 信和置业 (00083 HK)

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7 November 2018

A Fruitful Year in FY21, Maintain "Accumulate"

2021财年将取得丰硕成果，维持“收集”

- **Underlying net profit in FY18 increased 99.9% yoy to HKD11,050 million, beating market expectations.** Sino Land's FY18 revenue dropped 41.5% yoy to HKD10,730 million due to a contraction in property sales recognized. During the period, property sales revenue decreased 58.4% yoy to HKD5,479 million, but property leasing revenue increased 3.8% yoy to HKD3,186 million.
- We expect Sino Land to maintain its dividend per share intact at HKD0.53 in FY19 and FY20 and expect a special dividend to be announced in FY21. We have revised down FY19 and FY20 property sales estimates to reflect the latest construction schedule and the change in usage of the Hillside in Wan Chai. We expect Sino Land to stay in a net cash position over the next 3 years.
- **We reduce our TP to HKD14.12 but maintain our "Accumulate" investment rating.** Sino Land's sales activities are expected to be very active in the coming 2 fiscal years for the projects that are scheduled to be completed in FY21 and beyond. Our new TP represents a 45% discount to the FY19 NAV estimate of HKD25.6 per share. Our TP also implies 23.2/27.5x/ 11.0x FY18/ FY19/ FY20 underlying PER and 0.65x/ 0.64x/ 0.62x FY18/ FY19/ FY20 PBR.
- **2018 财年的核心净利润按年增长 99.9%至 110.50 亿港元，好于市场预期。** 信和置业 2018 财年营业收入按年下跌 41.5%至 107.30 亿港元，主要由于物业销售业务下跌。期内，物业销售收入按年下降 58.4%至 54.79 亿港元，而物业租赁收入按年增长 3.8%至 31.86 亿港元。
- 我们预计信和置业于 2019-2020 财年将保持其每股股息在 0.53 港元，并将在 2021 财年宣布派发特别股息。我们下调 2019 及 2020 财年的房地产销售预测，以反映最新的工程施工进度情况以及湾仔晓寓用途的变更。我们预计信和置业将在未来 3 年保持净现金状态。
- **我们将目标价下调至 14.12 港元，但维持投资评级于“收集”。** 由于在 2021 财年及之后将有几个项目完工，预计信和置业在未来两个财年的销售活动将非常活跃。我们新的目标价相对于我们 2019 财年的每股估值 25.6 港元有 45% 折让。我们的目标价相当于 23.2/27.5/11.0 倍 2018/2019/2020 财年的核心市盈率 and 0.65/0.64/0.62 倍 2018/2019/2020 财年的市净率。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$14.12

Revised from 原目标价:

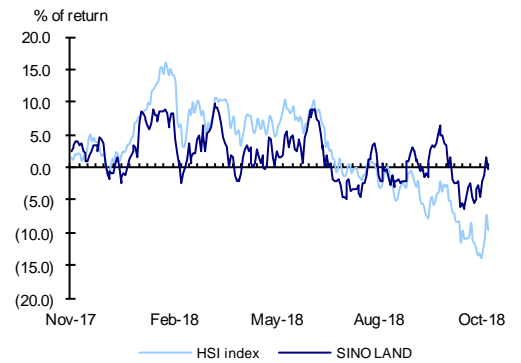
HK\$16.45

Share price 股价:

HK\$12.820

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(1.6)	(1.3)	(5.3)
Rel. % to HS Index 相对恒指变动 %	1.3	5.4	4.4
Avg. share price (HK\$) 平均股价 (港元)	12.1	12.5	12.8

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
06/30	(HK\$ m)	(HK\$ m)	(HK\$)	(△%)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
FY17A	18,334	7,415	1.190	(23.2)	10.7	20.311	0.6	0.530	4.2	5.9
FY18A	10,730	13,996	2.179	83.1	5.9	21.139	0.6	0.980	7.7	10.4
FY19F	7,844	5,304	0.786	(63.9)	16.2	21.624	0.6	0.530	4.2	3.8
FY20F	7,470	4,724	0.692	(12.0)	18.4	21.950	0.6	0.530	4.2	3.3
FY21F	27,235	10,121	1.466	111.8	8.7	22.670	0.6	0.930	7.3	6.9
Shares in issue (m) 总股数 (m)				6,603.1	Major shareholder 大股东			Robert Ng Chee Siong	55.97%	
Market cap. (HK\$ m) 市值 (HK\$ m)				84,255.6	Free float (%) 自由流通比率 (%)					44.0
3 month average vol. 3 个月平均成交股数 ('000)				4,804.9	FY19 Net gearing (%) FY19 净负债/股东资金 (%)					Net Cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				14.600 / 11.920	FY19 Est. NAV (HK\$) FY19 每股估值 (港元)					25.6

Source: the Company, Guotai Junan International.

Underlying net profit in Sino Land's (00083 HK, the "Company") FY18 annual results increased 99.9% yoy to HKD11,050 million, better than market expectations. Sino Land's FY18 revenue dropped 41.5% yoy to HKD10,730 million due to a contraction in property sales recognized. During the period, property sales revenue decreased 58.4% yoy to HKD5,479 million, but property leasing revenue increased 3.8% yoy to HKD3,186 million. The 99.9% yoy increase in underlying net profit was attributable to the disposal of 80% interest in the development project The Palazzo, Chengdu. If we exclude the one-off gain on disposal of the Palazzo, underlying net profit would fall 2.3% yoy to HKD5,397 million. As at 30 June, 2018, Sino Land was in net cash position of HKD20,018 million.

Property sales revenue decreased 58.4% yoy to HKD5,479 million. Property sales at the subsidiary level during FY18 consisted mainly of residential units in the Mediterranean (90% sold), Park Mediterranean (78% sold) and Phase II of Dynasty Park in Zhangzhou (99% sold). The sales revenue of Commune Modern (98% sold) is expected to be recognized in FY19 at subsidiary level, while the sales of the offer tower at 28 Wai Yip Street in Kowloon Bay (Approx. 50% sold) will be recognized in the same fiscal year at the joint venture level.

Property rental revenue edged up 3.8% yoy to HKD3,186 million. Overall occupancy rate for Sino Land's investment property portfolio stayed at 96%, down 1 ppt yoy. Occupancy rates of retail, office and industrial properties were 97% (-1ppts yoy), 96%(-1ppts yoy) and 93%(-2ppts yoy), respectively, as at 30th June, 2018.

Table-1: Breakdown of Sino Land's Revenue by Segment

Segmental Revenue (HKD million)	FY17	FY18	yoy change
Property sales	13,185	5,479	-58.4%
Property rental	3,069	3,186	3.8%
Property management and other services	1,122	1,079	-3.9%
Hotel operations	840	890	6.0%
Investments in securities	32	54	68.4%
Financing	86	43	-50.0%
Total	18,334	10,730	-41.5%

Source: the Company, Guotai Junan International.

Table-2: Breakdown of Sino Land's Segment Results

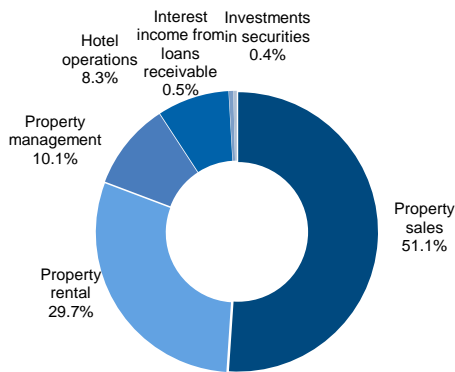
Segmental Result (HKD million)	FY17A	FY18A	yoy change
Property sales	4,426	1,311	-70.4%
Property rental	2,679	2,750	2.6%
Property management and other services	265	253	-4.4%
Hotel operations	302	320	6.0%
Investments in securities	32	54	68.4%
Financing	86	43	-50.0%
Total	7,790	4,731	-39.3%

Source: the Company, Guotai Junan International.

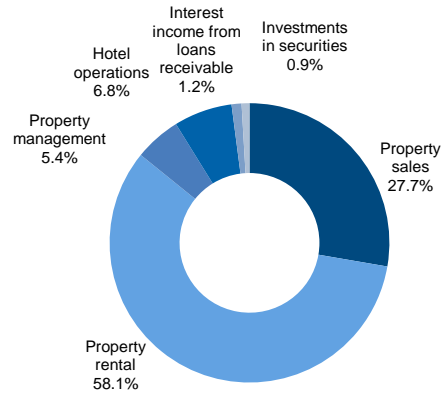
Table-3: Breakdown of Sino Land's Segment Results Margins

Operating Margin	FY17A	FY18A	yoy change
Property sales	33.6%	23.9%	-9.6ppts
Property rental	87.3%	86.3%	-1.0ppts
Property management	23.6%	23.5%	-0.1ppts
Hotel operations	35.9%	35.9%	0.0ppts
Interest from loans receivable	100.0%	100.0%	0.0ppts
Investments in securities	100.0%	100.0%	0.0ppts
Overall operating margin	42.5%	44.1%	1.6ppts

Source: the Company, Guotai Junan International.

Figure-1: Breakdown of Sino Land's Revenue in FY18 (%)


Source: the Company, Guotai Junan International.

Figure-2: Breakdown of Sino Land's Segment Results in FY18 (%)


Source: the Company, Guotai Junan International.

Table-4: Sino Land's land acquisition since July 2016

Date	Project Site	Sino Land's Interest	Usage	Attributable Plot Ratio Area (sq.ft.)	Land Premium (HKD per sq.ft.)
13/7/2016	TPTL 228, Pak Shek Kok	100%	Residential	412,530	3,932
12/10/2016	AIL 462, Wong Chuk Hang	60%	Commercial	170,967	8,873
25/10/2016	NKIL6558, Sham Shui Po	100% ¹	Residential/Retail	52,571	N/A
5/1/2017	The Fullerton Hotel Ocean Park Hong Kong	60%	Hotel	262,017	N/A ²
1/3/2017	IL 9064, Peel St./Graham St. (Site A)	100% ¹	Residential	84,260	N/A
2/5/2017	T102-0262, Qianhai, Shenzhen	50%	Serviced Apartment	247,572	3,049
5/5/2017	KCTL 524, Kwai Chung	100%	Industrial	176,906	2,548
26/5/2017	Package One Kam Sheung Road Station	33.3% ³	Residential	412,247	6,735
21/7/2017	STTL 611, Whitehead, Ma On Shan	100%	Residential	119,351	11,588
15/11/2017	NKIL 6549, Cheung Sha Wan	22.5%	Residential	222,258	17,501
5/12/2017	Ail 467 Site B, Wong Chuk Hang Station Package Two Property Development	50.0% ³	Residential	246,496	10,548
13/12/2017	139-147 Argyle Street, Ho Man Tin	100.0% ⁴	Residential	309,707	N/A
18/12/2017	Kil 11254, Reclamation Street Mongkok	60.0% ¹	Residential	67,322	N/A
8/5/2018	NKIL 6602, Yau Tong Ventilation Building Property Development	80.0% ³	Residential	260,274	N/A

Source: the Company.

Notes :

N/A: not disclosed.

¹ URA's project.

² Total development cost is estimated to be approximately HKD7,000 per sq.ft.

³ MTR's project.

⁴ Tender from CLP Holdings.

Table-5: Breakdown of Sino Land's Land Bank

Gross floor area (million sq.ft)	FY14	FY15	FY16	FY17	FY18
Properties under development	26.7	24.1	19.1	20.2	9.3
yoy change	-4.0%	-10.0%	-20.6%	5.7%	-54.0%
Investment properties and hotels	11.3	11.5	11.7	11.9	11.8
yoy change	0.2%	1.7%	1.9%	1.5%	-0.8%
Completed properties for sale	1.0	2.2	1.5	0.7	0.8
yoy change	-1.7%	115.2%	-30.9%	-54.0%	14.3%
Total	39.1	37.8	32.4	32.8	21.9
yoy change	-2.7%	-3.3%	-14.3%	1.4%	-33.2%

Source: the Company, Guotai Junan International.

Presale of Grand Central is expected to be launched in 2H18. This key project, which contains 1.5 million sq.ft. in GFA, or 1,999 residential units, will be sold in two phases (Phase 1 - 1,024 residential units; Phase 2 – 975 residential units, according to a news report dated 14 July on Ming Pao). We expect the average price of this project to be marked to market. For instance, Park Metropolitan in the neighborhood is selling at about HKD15,000/sq.ft.-HKD17,000/sq.ft. in terms of saleable area. The project is scheduled to be completed in FY21 and we estimate that the whole project will contribute approx. HKD19 billion to sales revenue attributable to Sino Land.

Table-6: Hong Kong Projects to be Launched for Sale in 2H18

Project Site	Sino Land's Interest	Usage	Attributable Plot Ratio Area (sq.ft.)	Attributable Number of Residential Units	Time of Completion
Madison Park, Cheung Sha Wan	100.0%	Residential	52,571	100	Nov-2020 (FY21)
Mayfair by the Sea 8, Pak Shek Kok	100.0%	Residential	412,530	528	Feb-2021 (FY21)
Grand Central, Kwun Tong	90.0%	Residential	1,346,383	1,799	Mar-2021 (FY21)

Source: the Company, Guotai Junan International.

We expect Sino Land to maintain its dividend per share intact at HKD0.53 in FY19 and FY20, followed by a special dividend in FY21. We believe that the contribution from development property business will contract in FY19 and FY20 with Commune Modern and Hong Kin Road residential development project being completed and booked in FY19 and FY20, respectively, at subsidiary level. The NKIL 6313 Kowloon Bay office project, where Sino Land has 30% equity interest, will be completed and booked in FY19 under joint venture level. Sino Land has slightly more than 100 units of completed residential units for sale by the end of FY18. Nevertheless, we expect that Sino Land will have a fruitful result in FY21 as Grand Central, Madison Park and Mayfair by the Sea 8 will be completed and booked in that fiscal year. In essence, we believe that Sino Land will announce a special dividend of HKD0.4 per share in FY21 given the jump in underlying net profit.

We have revised down FY19 and FY20 property sales estimates to reflect the latest construction schedule and the change in usage of the Hillside in Wan Chai. We previously classified the Hillside to be a development property for sale but Sino Land has confirmed that the project would be used for leasing propose. We have initiated our forecast for FY21 with underlying profit being HKD8.8 billion in that fiscal year. We expect Sino Land to stay in a net cash position over the next 3 years.

Table-7: Revisions to Estimates

Items, HKD million	Revised Estimates			Original Estimates		Changes	
	FY19F	FY20F	FY21F*	FY19F	FY20F	FY19F	FY20F
Total revenue	7,844	7,470	27,235	8,592	8,742	-8.7%	-14.6%
-Property sales	2,402	1,895	21,460	3,281	3,301	-26.8%	-42.6%
-Property leasing	3,308	3,391	3,527	3,179	3,264	4.0%	3.9%
-Others	2,135	2,183	2,249	2,131	2,178	0.2%	0.2%
Gross profit	4,371	4,267	10,917	5,025	5,945	-13.0%	-28.2%
Operating profit	4,366	4,272	11,011	5,320	6,518	-17.9%	-34.5%
Net profit	5,304	4,724	10,121	6,973	7,396	-23.9%	-36.1%
Underlying net profit	4,107	3,505	8,835	5,273	5,587	-22.1%	-37.3%
Gross margin (%)	55.7	57.1	40.1	58.5	68.0	(2.8ppts)	(10.9ppts)
Operating profit margin (%)	55.7	57.2	40.4	61.9	74.6	(6.2ppts)	(17.4ppts)
Net profit margin (%)	67.6	63.2	37.2	81.2	84.6	(13.6ppts)	(21.4ppts)
Underlying net margin (%)	43.9	44.7	36.8	61.4	63.9	(17.5ppts)	(19.2ppts)
ROA (underlying) (%)	2.5	2.0	5.0	3.2	3.3	(0.7ppts)	(1.3ppts)
ROE (underlying) (%)	2.9	2.4	6.0	3.8	3.9	(0.9ppts)	(1.5ppts)
Net gearing ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash	n.a.	n.a.

Source: Guotai Junan International.

Note: *We initiate FY21 forecasts in this report.

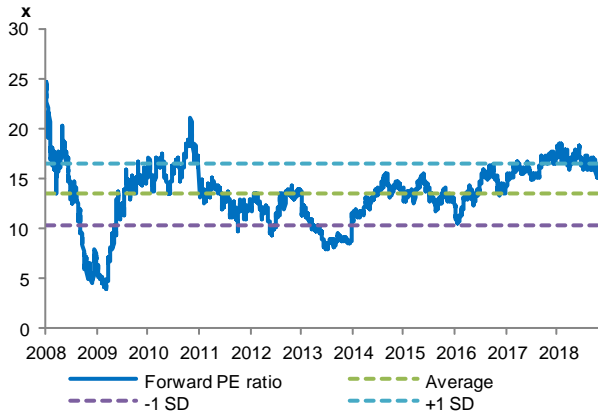
We have reduced our TP to HKD14.12 but maintain our "Accumulate" rating. FY19 and FY20 will be a down time period for Sino Land on the Company's books due to the reduction in sales of properties being recognized. However, the Company's sales activities are expected to be very active in the coming 2 fiscal years for projects that are scheduled to be completed in FY21 and beyond. We are satisfied with the Company's efforts in recycling its land bank by cashing out early from the Palazzo project in Chengdu to replenish high quality Hong Kong land bank through various means. However, we note that Sino Land has slowed down acquisition of new land bank in 2018, leaving the Company's net cash position at about HKD20 billion at the end of June 2018, with HKD18.5 billion ending up in time deposits earning only around 2% interest rate. We are expecting Sino Land to distribute HKD0.4 special dividend per share in FY21. Our new TP represents a 45% discount to the FY19 NAV estimate of HKD25.6 per share. Our TP also implies 23.2/ 27.5x/ 11.0x FY18/ FY19/ FY20 underlying PER and 0.65x/ 0.64x/ 0.62x FY18/ FY19/ FY20 PBR.

Table-8: Sino Land's FY19 NAV Breakdown

NAV Summary	HKD million
<u>Investment Properties</u>	
Residential & Serviced Apartments	1,595
Commercial	46,103
Hotel	8,061
Industrial	6,885
Office	27,990
Car Park	1,567
Subtotal	92,201
Development Properties for Sale	50,185
<u>Investment Properties under development</u>	
Residential & Serviced Apartments	367
Commercial	1,245
Hotel	919
Industrial	461
Office	2,635
Subtotal	5,628
Gross Asset Value	148,014
Net Cash/(Debt)	21,077
NAV	169,894
Number of shares (million)	6,603
NAV per share (HKD)	25.6

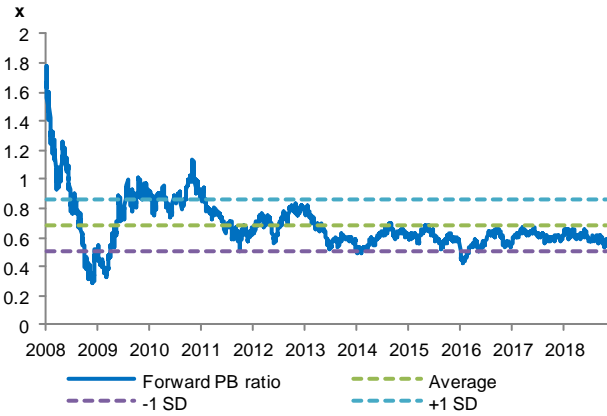
Source: Guotai Junan International.

Figure-3: Sino Land's 12 Month Forward PE ratio



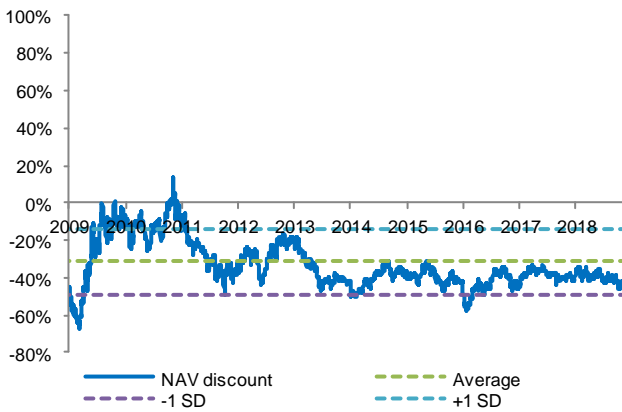
Source: Bloomberg, Guotai Junan International.

Figure-4: Sino Land's 12 Month Forward PB ratio



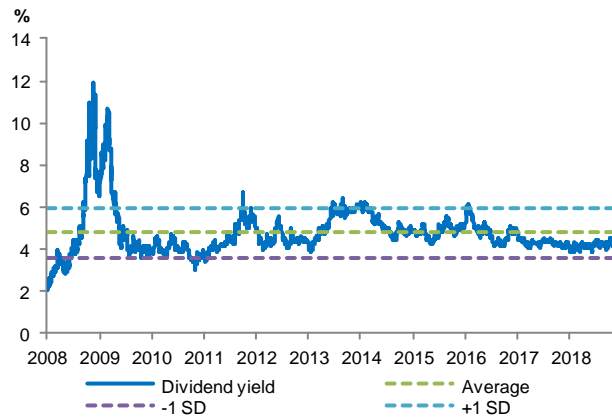
Source: the Company, Guotai Junan International.

Figure-5: Sino Land's NAV Discount



Source: Bloomberg, Guotai Junan International.

Figure-6: Sino Land's Dividend Yield



Source: the Company, Guotai Junan International.

Table-9: Peers Comparison

Company	Stock Code	Currency	Last price	Market cap (mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)		D/Y(%)	
					17A	18F	19F	20F	17A	18F	19F	20F	18F	18F		
HK listed local developers																
Wharf Holdings Ltd	4 HK	HKD	20.150	61,400	2.8	8.7	8.2	7.7	0.4	0.4	0.4	0.4	4.8	3.7		
Henderson Land Development	12 HK	HKD	38.000	167,248	5.5	13.2	10.4	10.8	0.6	0.6	0.5	0.5	6.3	4.6		
Hysan Development Co	14 HK	HKD	38.200	39,974	11.0	15.6	14.6	13.8	0.6	0.6	0.5	0.5	3.6	3.8		
Sun Hung Kai Properties	16 HK	HKD	107.500	311,445	7.4	6.2	9.5	8.9	0.6	0.6	0.6	0.5	9.6	3.9		
New World Development	17 HK	HKD	10.380	105,991	13.0	4.4	11.1	11.2	0.5	0.5	0.5	0.5	11.6	4.3		
Wheelock & Co Ltd	20 HK	HKD	43.000	88,036	4.3	6.9	6.1	5.4	0.4	0.4	0.3	0.3	5.3	3.6		
Great Eagle Holdings Ltd	41 HK	HKD	35.400	24,731	2.8	13.6	12.2	n.a.	0.4	n.a.	n.a.	n.a.	2.8	2.2		
Sino Land Co	83 HK	HKD	12.820	84,651	10.8	5.9	16.4	15.6	0.6	0.6	0.6	0.6	10.4	4.2		
Hang Lung Properties Ltd	101 HK	HKD	14.680	66,027	8.1	14.4	15.0	14.6	0.5	0.5	0.5	0.5	3.6	5.1		
Chinese Estates Holdings Ltd	127 HK	HKD	7.460	14,231	3.8	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.		
Sunlight Real Estate Invest	435 HK	HKD	4.850	7,992	10.8	5.5	19.4	18.0	0.6	0.5	0.5	0.5	10.0	4.9		
Kerry Properties Ltd	683 HK	HKD	25.200	36,671	3.9	7.0	6.1	5.7	0.4	0.4	0.4	0.3	5.3	5.2		
Fortune Reit	778 HK	HKD	8.700	16,680	5.2	17.0	16.5	15.7	0.6	0.6	0.6	0.6	4.6	6.0		
Link Reit	823 HK	HKD	72.000	152,063	9.1	3.3	27.0	24.4	1.2	0.9	0.9	0.8	30.1	3.7		
Ck Asset Holdings Ltd	1113 HK	HKD	54.150	199,998	6.7	8.0	7.6	7.7	0.7	0.6	0.6	0.6	10.2	3.6		
Swire Properties Ltd	1972 HK	HKD	27.700	162,045	4.8	18.4	13.3	18.8	0.6	0.6	0.6	0.6	3.4	2.9		
Wharf Real Estate Investment	1997 HK	HKD	48.200	146,346	8.5	15.3	14.5	14.2	0.7	0.7	0.7	0.7	4.6	4.2		
Champion Reit	2778 HK	HKD	5.390	31,516	2.8	20.3	19.1	18.9	0.5	0.5	0.5	0.5	2.4	4.8		
Simple Average					7.0	10.2	13.0	12.8	0.6	0.6	0.5	0.5	7.9	4.1		
Weighted Average					7.3	9.6	12.4	12.5	0.6	0.6	0.6	0.6	9.3	3.9		
HK listed large developers with major revenue from mainland																
Yuxiu Property Co Ltd	123 HK	HKD	1.330	16,494	6.3	5.5	5.0	4.7	0.4	0.4	0.4	0.4	7.2	6.8		
Shui On Land Ltd	272 HK	HKD	1.680	13,545	7.0	5.7	21.3	14.9	0.3	0.3	0.3	0.3	1.9	6.1		
Yuxiu Real Estate Investmen	405 HK	HKD	4.930	14,984	8.7	n.a.	n.a.	n.a.	0.9	0.9	1.0	1.0	4.7	6.8		
Soho China Ltd	410 HK	HKD	2.820	14,663	2.7	34.0	29.1	24.3	0.4	0.4	0.4	0.4	1.2	4.1		
Shenzhen Investment Ltd	604 HK	HKD	2.410	19,839	3.8	7.3	6.3	6.1	0.5	0.4	0.4	0.4	6.1	6.6		
China Overseas Land & Invest	688 HK	HKD	25.700	281,574	6.9	6.9	5.9	5.0	1.1	0.9	0.8	0.7	14.5	3.7		
Hopson Development Holdings	754 HK	HKD	6.330	14,088	2.4	7.0	6.8	6.1	0.2	n.a.	n.a.	n.a.	n.a.	4.3		
Shimao Property Holdings Ltd	813 HK	HKD	17.620	58,210	6.6	5.7	4.5	3.6	0.9	0.8	0.7	0.6	14.6	6.8		
China Jinmao Holdings Group	817 HK	HKD	3.580	41,348	8.3	7.0	5.3	4.3	1.0	0.9	0.8	0.7	13.2	5.7		
Longfor Group Holdings Ltd	960 HK	HKD	20.950	124,247	8.4	8.5	6.8	5.5	1.5	1.4	1.2	1.1	18.0	4.8		
China Resources Land Ltd	1109 HK	HKD	28.000	194,066	8.4	7.7	6.7	5.8	1.4	1.2	1.1	1.0	16.9	4.3		
Yuzhou Properties Co	1628 HK	HKD	2.970	13,812	3.7	3.0	2.4	2.0	0.6	0.6	0.5	0.4	21.6	11.9		
Kwg Group Holdings Ltd	1813 HK	HKD	6.450	20,464	4.8	3.9	3.0	2.4	0.6	0.6	0.5	0.5	15.6	9.4		
Sunac China Holdings Ltd	1918 HK	HKD	22.950	101,097	7.2	6.5	4.1	3.1	1.9	1.7	1.2	0.9	24.0	3.5		
Country Garden Holdings Co	2007 HK	HKD	9.040	195,870	6.4	5.0	3.9	3.3	1.7	1.4	1.1	0.9	31.4	6.9		
Bbmj Corp-H	2009 HK	HKD	2.340	37,594	7.5	4.8	4.8	4.9	0.5	0.4	0.4	0.3	8.3	3.9		
China Vanke Co Ltd-H	2202 HK	HKD	25.900	300,000	8.8	7.2	5.9	5.2	1.8	1.6	1.4	1.2	23.9	5.0		
Guangzhou R&F Properties - H	2777 HK	HKD	11.800	38,024	1.6	3.3	2.7	2.3	0.5	0.5	0.5	0.4	15.7	12.1		
China Evergrande Group	3333 HK	HKD	19.100	249,630	9.0	5.1	4.3	3.9	1.8	1.6	1.3	1.1	33.4	12.8		
Sino-Ocean Group Holding Ltd	3377 HK	HKD	3.360	25,590	4.3	4.5	3.7	2.9	0.4	0.4	0.4	0.4	9.9	9.4		
Agile Group Holdings Ltd	3383 HK	HKD	9.520	37,290	5.3	4.3	3.5	2.9	0.9	0.7	0.6	0.6	18.2	11.3		
Greentown China Holdings	3900 HK	HKD	5.830	12,638	6.6	4.7	4.4	4.5	0.4	0.4	0.4	0.3	7.5	4.2		
Zhenro Properties Group Ltd	6158 HK	HKD	4.850	19,997	8.9	6.9	4.8	3.6	1.5	1.1	0.8	0.6	20.0	5.8		
Simple Average					6.2	7.0	6.6	5.5	0.9	0.9	0.7	0.7	14.9	6.8		
Weighted Average					7.5	6.5	5.5	4.7	1.4	1.2	1.0	0.9	21.0	6.4		

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 30 Jun (HKD m)	2017A	2018A	2019F	2020F	2021F	Year end 30 Jun (HKD m)	2017A	2018A	2019F	2020F	2021F
-Property sales	13,185	5,479	2,402	1,895	21,460	Investment properties	61,361	62,713	62,986	67,074	72,761
-Property leasing	3,069	3,186	3,308	3,391	3,527	Hotel properties	1,927	1,915	1,887	1,858	1,822
-Others	2,080	2,066	2,135	2,183	2,249	Property, plant and equipment	209	238	293	309	325
Total Revenue	18,334	10,730	7,844	7,470	27,235	Prepaid lease payments – non-current	1,126	1,118	1,161	1,190	1,238
Cost of sales	(7,859)	(3,660)	(1,600)	(1,289)	(14,403)	Interests in associates	16,531	20,157	20,560	20,972	21,391
Direct expenses	(2,561)	(2,212)	(1,872)	(1,913)	(1,915)	Interests in joint ventures	3,208	3,262	3,425	3,596	3,776
-Property sales	4,426	1,311	801	605	7,056	Advances to associates	4,133	2,859	3,716	3,902	4,097
-Property leasing	2,679	2,750	2,877	2,949	3,112	Advances to joint ventures	3,010	10,844	13,012	14,314	15,745
-Others	809	798	693	713	749	Long-term loans receivable	1,836	1,841	2,258	2,259	3,199
Gross profit	7,914	4,859	4,371	4,267	10,917	Others	978	916	962	1,010	1,061
Change in fair value of IP	1,333	927	924	931	992	Total Non-current Assets	94,319	105,863	110,261	116,483	125,413
Administrative expenses	(778)	(818)	(869)	(857)	(818)	Properties under development	23,589	24,892	26,908	29,507	14,120
Others	134	7,599	(61)	(70)	(80)	Stocks of completed properties	1,267	2,139	1,654	1,288	3,905
Operating Profit	8,602	12,567	4,366	4,272	11,011	Hotel inventories	21	21	22	23	24
Share of results of JV & associates	1,710	2,586	1,671	1,041	1,104	Accounts and other receivables	1,361	1,014	2,857	2,045	1,887
Finance income, net	302	512	519	515	540	Restricted bank deposits	1,926	434	390	351	316
Profit Before Tax	10,614	15,666	6,556	5,829	12,656	Time deposits	28,194	18,539	20,393	21,820	27,275
Income Tax	(2,508)	(1,632)	(1,210)	(1,062)	(2,105)	Cash & Cash Equivalents	3,022	3,421	3,032	2,342	2,383
Profit After Tax	8,106	14,034	5,346	4,767	10,551	Others	1,566	2,784	3,298	2,763	2,379
Non-controlling Interest	(692)	(38)	(42)	(43)	(430)	Total Current Assets	60,947	53,244	58,554	60,140	52,290
Shareholders' Profit / Loss	7,415	13,996	5,304	4,724	10,121	Total Assets	155,266	159,107	168,815	176,623	177,703
Underlying net profit to equity holders	5,527	11,050	4,107	3,504	8,835	Accounts and other payables	4,535	5,944	5,099	5,229	5,447
Basic EPS (HKD)	1.190	2.179	0.786	0.692	1.466	Deposits received on sales of properties	7,992	1,326	8,813	15,008	9,391
Underlying EPS (HKD)	0.887	1.721	0.609	0.513	1.280	Amounts due to JVs & associates	1,647	2,365	2,483	2,607	2,738
DPS (HKD)	0.530	0.980	0.530	0.530	0.930	Taxation payable	1,945	1,741	1,210	1,062	2,105
						Bank loans and other borrowing	3,875	720	552	606	588
						Others	56	36	34	33	31
						Total Current Liabilities	20,051	12,131	18,191	24,544	20,299
						Long-term bank and other borrowings	2,046	1,656	1,817	816	691
						Deferred taxation	2,161	2,387	2,507	2,632	2,763
						Advances from associates	1,025	1,262	1,325	1,391	1,461
						Advances from non-controlling interests	657	1,229	1,290	1,355	1,423
						Total Non-current Liabilities	5,890	6,534	6,939	6,194	6,338
						Total Liabilities	25,941	18,665	25,130	30,738	26,637
						Share capital	40,591	44,560	46,033	47,083	48,133
						Reserves	87,763	95,022	96,750	97,857	101,558
						Total Shareholders' Equity	128,354	139,582	142,783	144,940	149,691
						Minority Interest	971	860	902	945	1,375
						Total Equity	129,325	140,442	143,685	145,885	151,066
						BPS (HKD)	20.311	21.139	21.624	21.950	22.670

Cash Flow Statement					
Year end 30 Jun (HKD m)	2017A	2018A	2019F	2020F	2021F
Profit before taxation	10,614	15,666	6,556	5,829	12,656
Net finance income	(302)	(512)	(519)	(515)	(540)
Increase in fair value of IP	(1,333)	(927)	(924)	(931)	(992)
Tax paid	(1,566)	(1,432)	(1,029)	(880)	(1,911)
Change in working capital	(718)	(16,289)	4,886	3,388	2,317
Others	(1,825)	(10,205)	(1,931)	(1,160)	(638)
Cash from Operating Activities	4,870	(13,700)	7,038	5,730	10,893
Repayments from JV & associates	240	0	0	0	0
Dividends received from JV & associates	1,155	203	167	104	110
Interest received	327	515	514	428	464
Proceeds from disposal of investment properties	124	87	0	0	0
Additions to IP	(272)	(282)	(979)	(930)	(930)
Additions to hotel properties	(2)	(22)	(22)	(23)	(23)
Additions to PPE	(119)	(132)	(85)	(92)	(99)
Decrease in time deposits with original maturity over three months	(4,995)	9,655	(1,854)	(1,427)	(5,455)
Others	(1,518)	5,948	(3,511)	(959)	(1,217)
Cash from Investing Activities	(5,060)	15,972	(5,770)	(2,898)	(7,149)
Net increase in loan	1,480	(3,546)	(7)	(947)	(142)
Net advances from non-controlling interests	92	552	60	63	66
Net advances from associates	(365)	955	181	190	200
Dividend paid	(1,503)	(2,104)	(1,393)	(2,450)	(2,450)
Interest paid	(160)	(82)	(44)	(28)	(42)
Others	(8)	(12)	(0)	0	0
Cash from Financing Activities	(464)	(4,237)	(1,203)	(3,172)	(2,367)
Cash at Beg of Year	10,597	9,922	7,958	8,023	7,682
Net Changes in Cash	(654)	(1,965)	65	(341)	1,376
Effect of foreign exchange rate changes	(21)	0	0	0	0
Ending cash in CF	9,922	7,958	8,023	7,682	9,058
Add: Bank deposits with maturity greater than three months	21,294	14,002	15,402	16,480	20,600
Deduct: Time deposit	28,194	18,539	20,393	21,820	27,275
Cash at End of Year	3,022	3,421	3,032	2,342	2,383

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
Gross margin (%)	43.2	45.3	55.7	57.1	40.1
Operating margin (%)	46.9	117.1	55.7	57.2	40.4
Underlying operating margin (%)	39.6	108.5	43.9	44.7	36.8
EBIT margin (%)	56.2	141.2	77.0	71.1	44.5
Net margin (%)	40.4	130.4	67.6	63.2	37.2
Underlying net profit margin (%)	30.1	103.0	52.4	46.9	32.4
Dividend payout ratio (%)	44.5	45.0	67.4	76.6	63.4
Dividend payout ratio, based on underlying net profit (%)	59.8	57.0	87.1	103.2	72.7
Net gearing ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Total Debt/Equity	4.6	1.7	1.6	1.0	0.8
ROA (%)	4.9	8.9	3.2	2.7	5.7
ROE (%)	5.9	10.4	3.8	3.3	6.9
ROA (Underlying) (%)	3.6	7.0	2.5	2.0	5.0
ROE (Underlying) (%)	4.4	8.2	2.9	2.4	6.0

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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