

Hong Kong

ADD (no change)

Consensus ratings*: Buy 11 Hold 2 Sell 0

Current price:	HK\$8.31
Target price:	HK\$9.50
Previous target:	HK\$9.50
Up/downside:	14.3%
CGSI / Consensus:	-4.2%
Reuters:	0083.HK
Bloomberg:	83 HK
Market cap:	US\$9,064m
	HK\$70,896m
Average daily turnover:	US\$5.52m
	HK\$43.12m
Current shares o/s:	8,531m
Free float:	44.1%
*Source: Bloomberg	

Key changes in this note

- FY6/24F EPS increased by 4%.
- FY6/25F EPS reduced by 3%.
- FY6/26F EPS reduced by 3%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.8	4	-18.5
Relative (%)	-5.1	9.6	-0.5

Major shareholders	% held
Tsim Sha Tsui Properties	55.9

Analyst(s)



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Sino Land Co Ltd

Rental- and deposit-driven profit growth

- SL's 5% yoy increase in underlying profit in 1HFY24 was primarily driven by a jump in interest income from time deposits.
- Its DP sales bookings should be lower hoh in 2HFY24F, in our view. It targets to launch four new residential projects in HK for sale in CY2024F.
- Its rental income registered first yoy growth since 1HFY20. We think its positive retail rental reversion trend should continue in 2HFY24F.
- Reiterate Add, with an unchanged TP of HK\$9.5 (50% discount to NAV).

5% increase in underlying profit, driven by interest income

Sino Land (SL) reported a 5% yoy increase in underlying profit in 1HFY24 to HK\$2.9bn, 13% above our estimate of HK\$2.6bn, due to: 1) higher-than-expected development property (DP) profit booked in 1HFY24, and 2) a 94% yoy jump in interest income (HK\$1.17bn) from time deposits (5% p.a.). Interim DPS was unchanged yoy at HK\$0.15.

DP sales booking in FY24F tends to be front-loaded

SL booked HK\$6.6bn of attributable DP sales with a GPM of 12.7% in 1HFY24, down from 28.4% in 1HFY23, due to: 1) absence of high-GPM projects, such as Grand Central, for booking, and 2) delivery of low-GPM projects (e.g. Grand Victoria Phases 2 and 3). Its DP sales booking amount would be lower in 2HFY24F, in our view, as it has secured a backlog of just HK\$2.2bn for the period so far. SL will launch four new residential projects in HK in CY24F, with a total of over 4,000 flats (based on 100% stake) for sale. SL was active in growing its landbank in 1HFY24, having acquired three residential projects in HK with an attributable GFA of 0.8m sf.

First yoy growth in rental income since 1HFY20

SL's gross rental income (GRI) from investment properties (IP) increased by 2.8% yoy in 1HFY24 (positive yoy growth for the first time since 1HFY20); rental GPM declined by 3% pts yoy to 82% due to leasing expenses for newly completed projects (One North and Landmark South). Overall IP occupancy was flat yoy at 91% in 1HFY24. Most of its business segments (retail, industrial and residential) reported yoy increases in GRI. Most of the retail rental contracts renewed in 1HFY24 saw positive rental reversions; we expect the reversion trend to continue in 2HFY24F given tenant sales improvement.

Reiterate Add; unchanged TP

We tweak FY24F/25F/26F EPS by +4%/-3%/-3% to factor in higher interest income in FY24F and lower DP sales GPM with softer price growth assumptions in FY25-26F. Our TP for SL remains unchanged at HK\$9.5, still based on a 50% discount to end-FY24F NAV of HK\$19. Reiterate Add; its strong net cash position of HK\$43bn (end-Dec 23, consolidated basis) and recurring income from IP support sustainable DPS growth, in our view. Key downside risks: slower-than-expected DP sales value and GPM and weaker-than-expected office rental. Stronger-than-expected tenant sales and NAV-accretive acquisitions are re-rating catalysts for SL.

Financial Summary

	Jun-22A	Jun-23A	Jun-24F	Jun-25F	Jun-26F
Total Net Revenues (HK\$m)	15,554	11,881	9,899	8,392	13,325
Operating EBITDA (HK\$m)	8,335	5,469	4,662	4,154	5,182
Net Profit (HK\$m)	5,736	5,849	5,426	5,427	6,998
Core EPS (HK\$)	0.87	0.77	0.64	0.64	0.82
Core EPS Growth	(39.4%)	(11.4%)	(16.2%)	(1.0%)	28.9%
FD Core P/E (x)	9.62	10.84	12.79	13.06	10.13
DPS (HK\$)	0.57	0.58	0.58	0.59	0.60
Dividend Yield	6.86%	6.98%	6.98%	7.10%	7.22%
EV/EBITDA (x)	(2.03)	(2.42)	(1.48)	(1.67)	(2.45)
P/FCFE (x)	13.20	NA	30.23	16.42	8.59
Net Gearing	(26.2%)	(25.7%)	(24.4%)	(24.0%)	(25.8%)
P/BV (x)	0.41	0.42	0.44	0.44	0.44
ROE	4.18%	3.81%	3.36%	3.38%	4.34%
% Change In Core EPS Estimates			4.03%	(3.39%)	(3.32%)
EPS/Consensus EPS (x)			0.98	0.86	1.04

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 1: Sino Land's 1HFY24 results summary

HK\$ m	1HFY23	1HFY24	yoy (%)
Turnover	6,383	4,923	-23%
Property sales	3,947	2,360	-40%
Rental income	1,356	1,389	2%
Property management & other servic	591	619	5%
Hotel operations	455	502	10%
Investments	9	17	79%
Financing	23	36	54%
Segment results	2,781	1,921	-31%
Property sales	1,197	339	-72%
Rental income	1,165	1,143	-2%
Property management & other servic	180	197	9%
Hotel operations	206	189	-8%
Investments	9	17	79%
Financing	23	36	54%
Unallocated corporate expenses	(583)	(588)	1%
Other income / expense	16	279	1659%
Net finance costs	581	1,150	98%
Share of profit from associates / JVs	474	525	11%
Profit before tax	3,269	3,287	1%
Income tax expense	(454)	(331)	-27%
Profit after tax	2,816	2,957	5%
Minority interests	(13)	(12)	-10%
Underlying net profit	2,802	2,945	5%
DPS (HK\$)	0.15	0.15	0%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: SL's property sales launch for CY2024F

Location	Sino's stake (%)	No. of residential units		Gross basis GFA (sf)	Attributable GFA (sf)	Exepcted year of completion
		Sino's stake (%)	(100% basis)			
One Central Place	100%		121	84,261	84,261	FY6/25F
Grand Mayfair III	33%		681	363,123	121,041	FY6/26F
Yau Tong Ventilation Building Project	80%		748	325,343	260,274	FY6/26F
Lohas Park Package 13	25%		2,548	1,546,724	386,681	FY6/27F
Total			4,098	2,319,451	852,257	

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Earnings revisions

HK\$ m	2024F			2025F			2026F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Core net profit	5,215	5,426	4%	5,617	5,427	-3%	7,238	6,998	-3%
EPS (HK\$)	0.62	0.64	4%	0.66	0.64	-3%	0.85	0.82	-3%
DPS (HK\$)	0.58	0.58	0%	0.59	0.59	0%	0.60	0.60	0%

SOURCES: CGSI RESEARCH ESTIMATES

Figure 4: NAV breakdown (end-FY24F)

	HK\$ m	HK\$/share	% GAV
HK DP	27,689	3.2	22.5%
HK IP	73,691	8.6	60.0%
Overseas IP	147	0.0	0.1%
Hotels	15,407	1.8	12.5%
China DP + IP	5,025	0.6	4.1%
Investment in securities	841	0.1	0.7%
Gross asset value (GAV)	122,800	14.4	100.0%
Add: net (debt)/cash	39,455	4.6	
NAV	162,255	19.0	

SOURCES: CGSI RESEARCH ESTIMATES

Figure 5: Summary of NAV and TP changes

	Old	New	Chg %
NAV (HK\$)	19.00	19.00	0%
Target discount (%)	50%	50%	0% pt
TP (HK\$)	9.50	9.50	0%



SOURCES: CGSI RESEARCH ESTIMATES

Figure 6: HK property valuation summary

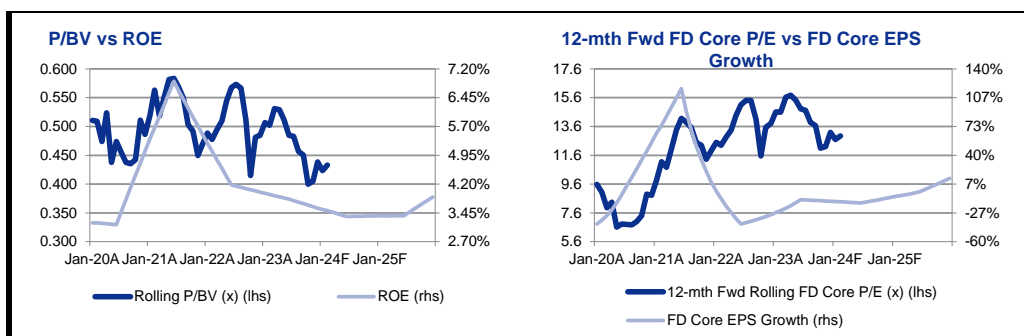
Short Name	Ticker	CP (HK\$)	TP (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to NAV (%)	Upside (%)	P/E (x)				P/BV (x)			Div yield (%)			Net Gearing (%)				
									2022	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F
CK Asset	1113 HK	36.20	48.8	ADD	16,424	97.6	63	35	5.9	6.8	7.3	5.2	0.34	0.33	0.32	6.3	6.3	6.6	Net cash	Net cash	Net cash		
HLD	12 HK	22.05	25.1	ADD	13,648	45.6	52	14	11.1	10.6	10.0	9.9	0.32	0.32	0.32	8.2	8.2	8.2	40	40	37		
Kerry Prop	683 HK	13.24	15.6	ADD	2,457	51.9	74	18	4.3	6.5	6.5	5.3	0.18	0.17	0.17	10.2	10.2	10.2	38	43	40		
NWD	17 HK	9.92	13.7	ADD	3,192	45.7	78	38	5.3	14.1	12.5	7.5	0.13	0.14	0.14	7.7	23.7	8.7	50	48	48		
SHKP	16 HK	76.10	101.1	ADD	28,193	183.8	59	33	7.7	9.2	8.9	8.3	0.37	0.36	0.35	6.5	5.6	6.0	18	16	12		
Sino	83 HK	8.31	9.5	ADD	9,064	19.0	56	14	10.9	11.6	13.1	13.1	0.42	0.44	0.44	7.0	7.0	7.1	Net cash	Net cash	Net cash		
Wharf Holdings	4 HK	26.50	21.6	HOLD	10,354	48.0	45	(18)	267.3	21.1	18.5	16.8	0.54	0.51	0.50	1.5	1.6	1.8	11	10	6		
HLP	101 HK	8.68	12.6	ADD	4,993	27.9	69	45	9.3	9.4	8.2	8.0	0.29	0.29	0.28	9.0	9.0	9.0	32	33	30		
HKL*	HKL SP	3.33	3.6	HOLD	7,350	10.2	67	8	9.5	10.9	11.0	9.6	0.23	0.22	0.20	6.6	6.6	6.9	20	18	14		
Hysan	14 HK	13.24	14.9	ADD	1,738	49.8	73	13	8.1	7.2	8.8	8.6	0.18	0.17	0.17	8.2	8.2	8.4	26	26	25		
Swire Prop	1972 HK	15.92	18.0	HOLD	11,907	39.9	60	13	10.7	8.2	11.5	10.7	0.32	0.32	0.32	6.5	6.7	6.8	8	9	8		
Wharf REIC	1997 HK	26.80	30.3	ADD	10,403	60.5	56	13	13.2	13.1	11.9	11.1	0.42	0.42	0.41	4.9	5.4	5.7	19	18	17		
Champion REIT	2778 HK	1.70	1.84	REDUCE	1,298	5.02	66	8	7.8	9.1	10.2	10.2	0.22	0.22	0.21	9.9	8.7	8.7	29	27	25		
Link REIT	823 HK	38.40	51.5	ADD	12,630	68.8	44	34	14.3	6.4	14.9	14.3	0.52	0.51	0.51	7.1	6.8	7.0	26	26	25		
Midland	1200 HK	0.65	0.73	ADD	60	NA	NA	12	NA	NA	16.8	6.0	0.71	0.68	0.61	0.0	0.0	0.0	Net cash	Net cash	Net cash		
Developers									61	19	44.6	11.4	11.0	9.4	0.33	0.33	0.32	6.8	8.9	6.9	26	26	24
Landlords & REITs									62	19	10.4	9.2	10.9	10.4	0.31	0.31	0.30	7.5	7.3	7.5	23	22	21
Simple average (ex. Midland)									62	19	27.5	10.3	10.9	9.9	0.32	0.32	0.31	7.1	8.1	7.2	24	24	22

Share price data as of 22 February 2024; * HKL data stated in US\$

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Refinitiv ESG Scores	
<p>ESG in a nutshell</p> 	
<p>We think that Sino Land has shown its commitment towards ESG in its “Sustainability Vision 2030” announced in 2020, in which it sets up clear ESG targets, such as 30% reduction of greenhouse gas emissions, increasing by 100% training hours per employee, and supporting 150 primary schools by providing wellness education. It received an A rating from MSCI in 2022 and was awarded the ESG Leading Enterprise Award (Category I: Market Capitalisation over HK\$20bn) as well as the Leading Environmental Initiative Award at the ESG Leading Enterprise Awards 2022 jointly organised by the Chinese Edition of Bloomberg Businessweek and Deloitte.</p>	
<p>Keep your eye on</p> <p>We do not see any ESG issues for Sino Land that are a cause for our concern.</p>	<p>Implications</p> <p>N/A</p>
<p>ESG highlights</p> <p>Sino Land is the first developer in HK to announce a holistic decarbonisation blueprint and conducted ESG and climate risk assessments, covering over 170 of its existing and new buildings. In FY22, Sino Land donated HK\$5m to the Hospital Authority to provide support to paediatric services in public hospitals.</p>	<p>Implications</p> <p>Sino Land has demonstrated its commitment towards ESG issues over the past few years. We believe that progress in ESG could support a re-rating of its shares.</p>
<p>Trends</p> <p>In the long run, Sino Land is committed to supporting the 10 Principles of United Nations Global Compact (UNGC) to “build sustainable communities”, including human rights, labour, environment and anti-corruption.</p>	<p>Implications</p> <p>We have not applied any ESG premium/discount in our fundamental valuations. We believe that Sino Land will continually improve in the different ESG areas, thereby attracting greater interest among ESG-focused investors.</p> <p style="text-align: right; font-size: small;">SOURCES: CGSI RESEARCH, REFINITIV</p>

BY THE NUMBERS



Profit & Loss

(HK\$m)	Jun-22A	Jun-23A	Jun-24F	Jun-25F	Jun-26F
Total Net Revenues	15,554	11,881	9,899	8,392	13,325
Gross Profit	8,252	5,389	4,553	4,023	5,063
Operating EBITDA	8,335	5,469	4,662	4,154	5,182
Depreciation And Amortisation	(181)	(198)	(208)	(218)	(229)
Operating EBIT	8,154	5,271	4,454	3,935	4,952
Financial Income/(Expense)	306	1,347	2,171	1,601	1,235
Pretax Income/(Loss) from Assoc.	437	1,301	688	1,444	2,665
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	8,897	7,919	7,313	6,980	8,852
Exceptional Items					
Pre-tax Profit	8,897	7,919	7,313	6,980	8,852
Taxation	(1,349)	(861)	(549)	(460)	(622)
Exceptional Income - post-tax					
Profit After Tax	7,548	7,058	6,764	6,521	8,230
Minority Interests	(229)	(31)	(309)	(33)	(119)
Prof. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(1,583)	(1,178)	(1,029)	(1,060)	(1,113)
Net Profit	5,736	5,849	5,426	5,427	6,998
Recurring Net Profit	6,531	6,088	5,426	5,427	6,998
Fully Diluted Recurring Net Profit	6,531	6,088	5,426	5,427	6,998

Cash Flow

(HK\$m)	Jun-22A	Jun-23A	Jun-24F	Jun-25F	Jun-26F
EBITDA	8,335	5,469	4,662	4,154	5,182
Cash Flow from Invnt. & Assoc.					
Change In Working Capital	(652)	(2,541)	(2,629)	(495)	2,556
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(902)	(1,059)	1,184	579	152
Net Interest (Paid)/Received	357	735	(42)	(38)	(30)
Tax Paid	(315)	(2,446)	(2,112)	(1,149)	(907)
Cashflow From Operations	6,823	159	1,062	3,050	6,953
Capex	(190)	(273)	(113)	(119)	(125)
Disposals Of FAs/subsidiaries	44	3	0	0	0
Disposals of Investment Properties	58	3	0	0	0
Acq. Of Subsidiaries/investments	106	647	1,347	1,388	1,429
Other Investing Cashflow	(26)	2	0	0	0
Cash Flow From Investing	(8)	382	1,234	1,269	1,304
Debt Raised/(repaid)	(2,055)	(1,339)	0	0	0
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	(3,054)	(413)	(4,794)	(4,948)	(5,034)
Preferred Dividends					
Other Financing Cashflow	(1,021)	459	0	0	0
Cash Flow From Financing	(6,130)	(1,293)	(4,794)	(4,948)	(5,034)

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(HK\$m)	Jun-22A	Jun-23A	Jun-24F	Jun-25F	Jun-26F
Total Cash And Equivalents	44,784	43,932	41,435	40,805	44,029
Properties Under Development	20,377	16,381	17,956	17,352	13,640
Total Debtors	1,445	1,867	1,707	1,682	1,752
Inventories	14	9	14	12	12
Total Other Current Assets	4,806	5,454	5,454	5,454	5,454
Total Current Assets	71,425	67,643	66,565	65,305	64,886
Fixed Assets	1,801	1,823	1,615	1,396	1,167
Total Investments	101,740	105,182	106,024	107,743	110,881
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	4,018	4,623	4,623	4,623	4,623
Total Non-current Assets	107,559	111,629	112,262	113,763	116,672
Short-term Debt	2,254	1,133	1,133	1,133	1,133
Current Portion of Long-Term Debt					
Total Creditors	7,952	5,927	6,105	6,288	6,477
Other Current Liabilities	4,899	3,843	4,391	4,851	5,473
Total Current Liabilities	15,105	10,902	11,629	12,272	13,082
Total Long-term Debt	1,010	847	847	847	847
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,947	1,732	1,732	1,732	1,732
Total Non-current Liabilities	2,957	2,580	2,580	2,580	2,580
Total Provisions	2,694	2,684	2,684	2,684	2,684
Total Liabilities	20,755	16,166	16,893	17,536	18,346
Shareholders' Equity	157,397	162,349	160,869	160,434	161,993
Minority Interests	831	756	1,065	1,099	1,218
Total Equity	158,229	163,105	161,934	161,533	163,211

Key Ratios

	Jun-22A	Jun-23A	Jun-24F	Jun-25F	Jun-26F
Revenue Growth	(36.6%)	(23.6%)	(16.7%)	(15.2%)	58.8%
Operating EBITDA Growth	(38.9%)	(34.4%)	(14.8%)	(10.9%)	24.8%
Operating EBITDA Margin	53.6%	46.0%	47.1%	49.5%	38.9%
Net Cash Per Share (HK\$)	5.38	5.13	4.62	4.55	4.93
BVPS (HK\$)	20.39	19.87	18.86	18.80	18.99
Gross Interest Cover	165.7	53.2	45.0	44.2	71.5
Effective Tax Rate	15.2%	10.9%	7.5%	6.6%	7.0%
Net Dividend Payout Ratio	109%	76%	88%	91%	72%
Accounts Receivables Days	37.58	50.86	66.06	73.70	47.04
Inventory Days	0.83	0.64	0.79	1.10	0.53
Accounts Payables Days	474.2	390.1	411.9	517.7	282.0
ROIC (%)	39.0%	26.9%	21.8%	18.9%	25.6%
ROCE (%)	5.16%	4.01%	3.99%	3.35%	3.72%
Return On Average Assets	3.14%	2.53%	1.99%	2.16%	3.26%

Key Drivers

	Jun-22A	Jun-23A	Jun-24F	Jun-25F	Jun-26F
Property development (HK\$ m)	11,129.7	6,996.3	4,583.3	2,763.0	7,494.5
Property investment (HK\$ m)	2,738.5	2,746.4	2,898.3	2,982.0	3,077.7
Overall gross profit margin (%)	53.1%	45.4%	46.0%	47.9%	38.0%
Dividend coverage by rental (%)	46.5%	42.5%	42.1%	42.2%	42.8%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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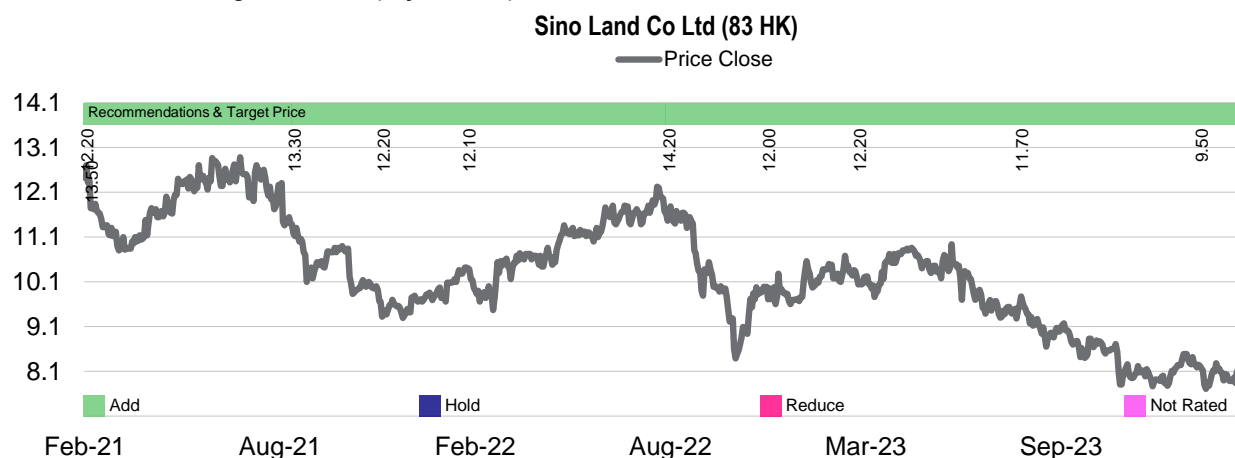
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023

636 companies under coverage for quarter ended on 31 December 2023

	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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