

Singapore

ADD (no change)

Consensus ratings*: Buy 10 Hold 1 Sell 3

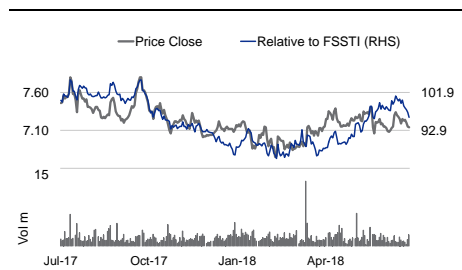
Current price:	US\$7.14
Target price:	US\$9.50
Previous target:	US\$9.50
Up/downside:	33.1%
CGS-CIMB / Consensus:	9.8%

Reuters:	HKLD.SI
Bloomberg:	HKL SP
Market cap:	US\$16,799m
Average daily turnover:	US\$12.07m
Current shares o/s:	2,353m
Free float:	50.0%

*Source: Bloomberg

Key changes in this note

No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.5	0.7	-5.2
Relative (%)	-3.5	7.5	-5.2

Major shareholders	% held
Jardine Matheson	50.0

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Hongkong Land Holdings Ltd

Defensive play in a volatile market

- 1H18 core net profit dipped 3% yoy on fewer property sales bookings in China.
- Central office/retail average rents up 2%/3% in 1H18; retail portfolio remained fully occupied.
- Sold but unrecognised property sales in China rose to US\$1,507m.
- Active landbanking in 1H18, having secured five projects.
- HKL is trading at a 47% discount to NAV which offers sufficient downside protection. Reiterate Add with an unchanged TP of US\$9.50.

Solid growth in rental income; fewer sales bookings

HKL posted a solid performance in investment properties, registering a 9% yoy growth in rental income in 1H18 to US\$484m. However, due to fewer properties sales bookings from associates and JVs in China, core net profit dipped 3.1% yoy to US\$455m in 1H18. 1H18 core net profit made up 43% of our full-year forecast. An interim DPS of US\$0.06 was declared, unchanged yoy.

Central office portfolio remains stable

HKL's Central office portfolio benefited from tight supply with rental reversions remaining positive. Average office rent in 1H18 rose 2% to HK\$111/sf/mth from HK\$109/sf/mth 2H17, although its Central office vacancy stood at 1.9% at the end of Jun 2018 compared to 1.4% at the end of 2017.

Solid rental reversions in Central retail portfolio

Central retail portfolio remained fully occupied in 1H18. On the back of positive rental reversions, the average rent, including base rent and turnover rent, was up 3% from HK\$225/sf/mth in 2H17 to HK\$231/sf/mth in 1H18.

Expects Singapore rental reversions to turn positive in 2H18

Despite the mildly negative rental reversions in Singapore, HKL managed to maintain the average office rent at S\$9.1/sf/mth, unchanged since 1H17. Management expects the rental reversions to turn positive in 2H18. Vacancy in the Singapore office portfolio dipped further from 0.3% at end-2017 to 0.1% at the end of June 2018.

Project pipeline on schedule

In Beijing, apart from WF Central which opened in late-2017, the associated Mandarin Oriental Wangfujing hotel will open towards the end of 2018. Also, the planning of HKL's 49%-owned commercial joint venture development with Central Group in Bangkok, Thailand continues in line with the schedule.

Sales completions in China to increase in 2H18

Due to fewer project launches, HKL's attributable contracted sales in China fell mildly yoy, from US\$701m in 1H17 to US\$650m in 1H18. Sold but unrecognised contracted sales increased from US\$1,032m at end-2017 to US\$1,507m at the end of Jun 2018. Management expects sales completions to increase in 2H18, particularly in relation to projects in Chongqing.

Diversified landbanking to drive earnings growth

HKL was keen on diversified landbanking in 1H18, securing five projects located in Nanjing, Singapore, Bangkok, Jakarta and Manila. As a result of the acquisitions, HKL's net debt rose to US\$3.1bn at end-Jun from US\$2.5bn at end-2017. Management expects the figure to rise modestly for committed land purchases. Although net gearing was up marginally from 7% at end-2017 to 8% at end-Jun 18, we think HKL's higher investment in property development could enhance earnings and eventually drive up dividends.

Reiterate Add with a TP of US\$9.50

Our TP of US\$9.50 is based on a 30% discount to NAV. We think HKL is a defensive play amid the volatile market with a stable growth outlook. It is now trading at a 47% discount to NAV, which offers sufficient downside protection for investors as well. Key risks: faster-than-expected rate hike in the US, slowdown in HK/China economy.

Financial Summary	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues (US\$m)	1,994	1,960	2,024	2,498	2,202
Operating EBITDA (US\$m)	3,469	5,523	1,068	1,203	1,169
Net Profit (US\$m)	3,346	5,586	1,055	1,137	1,290
Core EPS (US\$)	0.36	0.41	0.45	0.48	0.55
Core EPS Growth	(3.8%)	14.4%	8.8%	7.8%	13.4%
FD Core P/E (x)	19.81	17.32	15.92	14.77	13.02
DPS (US\$)	0.19	0.20	0.22	0.23	0.24
Dividend Yield	2.66%	2.80%	3.08%	3.22%	3.36%
EV/EBITDA (x)	14.80	15.24	12.99	11.68	11.73
P/FCFE (x)	19.2	20.4	109.8	180.2	37.5
Net Gearing	6.41%	6.92%	7.64%	9.16%	9.39%
P/BV (x)	0.54	0.46	0.46	0.49	0.50
ROE	2.83%	2.85%	2.88%	3.22%	3.83%
CIMB/consensus EPS (x)			1.04	1.08	1.13

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: HKL's 1H18 results review

HK\$m	1H17A (restated)	1H18A	yoy%
Total revenue	816.0	1,515.9	85.8
Gross Rental Income	512.8	560.5	9.3
Rental income	445.5	484.1	8.7
Service income	67.3	76.4	13.5
Property sales	303.2	955.4	215.1
Cost of sale	-343.6	-934.5	172.0
Investment property op exp	-79.3	-103.9	31.0
Cost of properties sold	-264.3	-830.6	214.3
Gross Profit	472.4	581.4	23.1
Net rental income	433.5	456.6	5.3
Profit from property sales	38.9	124.8	220.8
Other income	42.8	16.6	-61.2
Administrative and others	-62.8	-79.3	26.3
non-op gain	0.0	0.0	n.a.
EBIT	452.4	518.7	14.7
Net financing charges	-35.8	-52.2	45.8
Operating profit	416.6	466.5	12.0
Associates/JV	135.5	73.6	-45.7
Rental income	43.6	42.9	-1.6
Property sales	91.9	30.7	-66.6
Profit before tax	552.1	540.1	-2.2
Tax	-81.6	-85.7	5.0
Minority	-0.9	0.7	-177.8
Underlying net profit	469.6	455.1	-3.1
Revaluation and others	2,644.6	669.3	-74.7
Reported net profit	3,114.2	1,124.4	-63.9
DPS - interim (US\$)	0.06	0.06	-

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

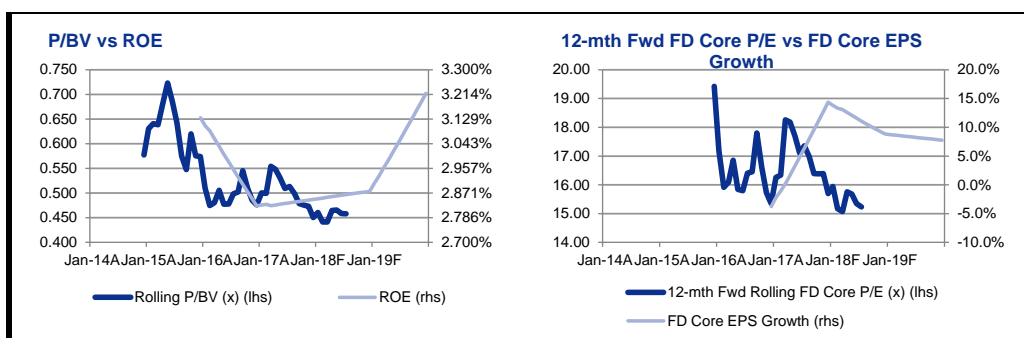
Figure 2: Peers comparison

Short Name	Ticker	Share price		Rating	Mkt cap (US\$m)	NAV/sh (HK\$)	Disc. to NAV			P/E (x)				P/BV(x)			Yield (%)			Net Gearing (%)		
		(HK\$)	TP (HK\$)				NAV (%)	Upside (%)	2017	2018F	2019F	2020F	2017	2018F	2019F	2017	2018F	2019F	2017	2018F	2019F	
CK Asset	1113 HK	60.55	90.00	ADD	28,537	128.0	53	49	11.0	10.0	8.3	7.5	0.7	0.7	0.7	2.8	3.2	3.8	6	-2	-5	
HLD	12 HK	42.95	67.00	ADD	24,095	96.0	55	56	9.7	9.6	9.1	8.7	0.6	0.6	0.6	4.0	4.1	4.3	18	18	13	
Kerry	683 HK	39.00	45.00	ADD	7,233	75.0	48	15	6.3	9.3	8.4	8.2	0.6	0.6	0.5	3.8	3.8	4.2	23	16	11	
NWD	17 HK	11.04	13.50	ADD	14,375	22.5	51	22	15.8	14.2	12.1	11.8	0.6	0.4	0.4	4.2	4.3	4.4	34	32	30	
SHKP	16 HK	120.90	180.00	ADD	44,643	257.0	53	49	13.5	11.2	9.5	8.7	0.7	0.7	0.6	3.4	3.9	4.4	8	7	5	
Sino	83 HK	13.14	18.20	ADD	11,059	28.0	53	39	15.7	7.9	17.3	14.3	0.6	0.6	0.6	4.0	4.3	4.4	-17	-14	-14	
Wharf Holdings	4 HK	26.10	26.00	REDUCE	10,135	52.0	50	0	5.0	11.1	10.8	10.5	0.6	0.5	0.5	6.1	2.7	2.8	-6	14	12	
Wheelock	20 HK	55.25	72.00	ADD	14,418	120.0	54	30	9.4	9.1	8.2	7.6	0.5	0.4	0.4	2.6	2.7	2.9	15	16	19	
HLP	101 HK	16.28	16.00	REDUCE	9,333	32.0	49	-2	13.2	15.8	16.9	16.1	0.5	0.5	0.6	4.6	4.7	4.7	5	10	16	
HKL*	HKL SP	7.14	9.50	ADD	16,799	13.5	47	33	2.2	2.0	1.9	1.7	0.5	0.5	0.5	2.8	3.1	3.2	7	8	9	
Hysan	14 HK	42.35	54.60	ADD	5,647	84.0	50	29	17.8	17.3	16.4	15.5	0.6	0.6	0.6	3.2	3.4	3.6	4	4	2	
Swire Ppt	1972 HK	30.55	35.00	ADD	22,780	47.0	35	15	18.3	21.4	20.8	19.9	0.7	0.7	0.7	2.5	2.7	2.8	12	12	12	
Wharf REIC	1997 HK	56.60	68.00	ADD	21,904	80.0	29	20	15.6	18.2	17.2	16.4	0.8	0.8	0.8	3.4	3.5	3.8	20	18	17	
Champion REIT	2778 HK	5.30	5.80	HOLD	3,942	8.9	40	9	20.8	20.1	19.2	18.3	0.5	0.5	0.5	4.6	4.7	4.9	23	22	20	
Link REIT	823 HK	76.65	66.00	HOLD	20,920	72.0	-6	-14	32.3	30.0	30.7	29.0	1.2	0.9	0.9	3.0	3.2	3.5	14	13	12	
Midland	1200 HK	2.11	2.83	ADD	193	NA	NA	34	7.8	6.3	5.2	4.4	1.1	1.0	0.8	2.4	2.4	2.9	-59	-71	-83	
Developers							52	32	10.8	10.3	10.5	9.7	0.6	0.6	0.5	3.9	3.6	3.9	10	11	9	
Landlords & REITs							35	13	17.2	17.8	17.6	16.7	0.7	0.7	0.6	3.4	3.6	3.8	12	12	13	
Simple average							44	23	13.8	13.8	13.8	13.0	0.7	0.6	0.6	3.7	3.6	3.9	11	12	11	

Share price data as of 26 July 2018; * HKL data stated in US\$

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	1,994	1,960	2,024	2,498	2,202
Gross Profit	1,071	1,026	1,210	1,362	1,321
Operating EBITDA	3,469	5,523	1,068	1,203	1,169
Depreciation And Amortisation	0	0	0	0	0
Operating EBIT	3,469	5,523	1,068	1,203	1,169
Financial Income/(Expense)	(69)	(77)	(67)	(61)	(54)
Pretax Income/(Loss) from Assoc.	117	299	199	161	337
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	1,019	1,129	1,201	1,303	1,452
Exceptional Items					
Pre-tax Profit	3,517	5,744	1,201	1,303	1,452
Taxation	(168)	(157)	(145)	(166)	(162)
Exceptional Income - post-tax					
Profit After Tax	3,349	5,588	1,055	1,137	1,290
Minority Interests	(3)	(1)	0	0	0
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,346	5,586	1,055	1,137	1,290
Recurring Net Profit	848	970	1,055	1,137	1,290
Fully Diluted Recurring Net Profit	848	970	1,055	1,137	1,290

Cash Flow

(US\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	3,469	5,523	1,068	1,203	1,169
Cash Flow from Inv. & Assoc.					
Change In Working Capital	253	8	(711)	(906)	(526)
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(2,411)	(4,518)	102	107	112
Net Interest (Paid)/Received	(75)	(76)	(67)	(61)	(54)
Tax Paid	(141)	(137)	(149)	(159)	(163)
Cashflow From Operations	1,096	800	244	184	538
Capex	(240)	(214)	0	0	0
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(6)	0	0	0	0
Cash Flow From Investing	(245)	(214)	0	0	0
Debt Raised/(repaid)	26	239	(91)	(91)	(91)
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	(448)	(447)	(494)	(518)	(541)
Preferred Dividends					
Other Financing Cashflow	(20)	15	0	0	0
Cash Flow From Financing	(442)	(193)	(585)	(608)	(632)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(US\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	1,909	1,622	1,283	862	772
Properties Under Development	2,217	2,535	1,909	970	293
Total Debtors	480	498	523	549	577
Inventories					
Total Other Current Assets	9	11	11	11	11
Total Current Assets	4,616	4,666	3,725	2,392	1,652
Fixed Assets	0	0	0	0	0
Total Investments	32,225	38,135	39,294	38,089	37,952
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	114	151	151	151	151
Total Non-current Assets	32,339	38,286	39,445	38,240	38,103
Short-term Debt	221	191	191	191	191
Current Portion of Long-Term Debt					
Total Creditors	1,490	1,695	1,556	1,581	1,611
Other Current Liabilities	80	114	145	166	162
Total Current Liabilities	1,791	1,999	1,892	1,937	1,963
Total Long-term Debt	3,696	3,980	3,890	3,799	3,709
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	32	37	13	13	13
Total Non-current Liabilities	3,728	4,017	3,902	3,812	3,721
Total Provisions	122	127	750	750	750
Total Liabilities	5,640	6,143	6,544	6,498	6,434
Shareholders' Equity	31,294	36,774	36,591	34,098	33,286
Minority Interests	20	35	35	35	35
Total Equity	31,314	36,808	36,626	34,133	33,321

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	3.2%	(1.7%)	3.3%	23.4%	(11.9%)
Operating EBITDA Growth	(2.3%)	(6.5%)	17.7%	12.6%	(2.8%)
Operating EBITDA Margin	48.7%	46.3%	52.8%	48.1%	53.1%
Net Cash Per Share (US\$)	(0.85)	(1.08)	(1.19)	(1.33)	(1.33)
BVPS (US\$)	13.30	15.63	15.55	14.49	14.15
Gross Interest Cover	8.79	7.48	9.25	10.28	9.87
Effective Tax Rate	4.8%	2.7%	12.1%	12.7%	11.1%
Net Dividend Payout Ratio	52.7%	46.1%	46.8%	45.5%	41.9%
Accounts Receivables Days	76.73	91.14	92.14	78.37	93.61
Inventory Days	-	-	-	-	-
Accounts Payables Days	589.7	622.7	728.8	504.0	662.9
ROIC (%)	50%	61%	64%	113%	(1509%)
ROCE (%)	2.97%	2.49%	2.71%	3.13%	3.21%
Return On Average Assets	2.55%	2.59%	2.58%	2.84%	3.32%

Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Unbooked Presales (m) (US\$)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	53.7%	52.4%	59.8%	54.5%	60.0%
Contracted Sales ASP (per Sm) (US\$)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	26.4%	19.3%	31.2%	29.4%	32.2%
Investment rev / total rev (%)	75.3%	83.0%	76.5%	71.3%	75.7%
Residential rev / total rev (%)	24.7%	17.0%	23.5%	28.7%	24.3%
Inv. properties rental margin (%)	81.4%	80.9%	83.1%	83.1%	83.1%
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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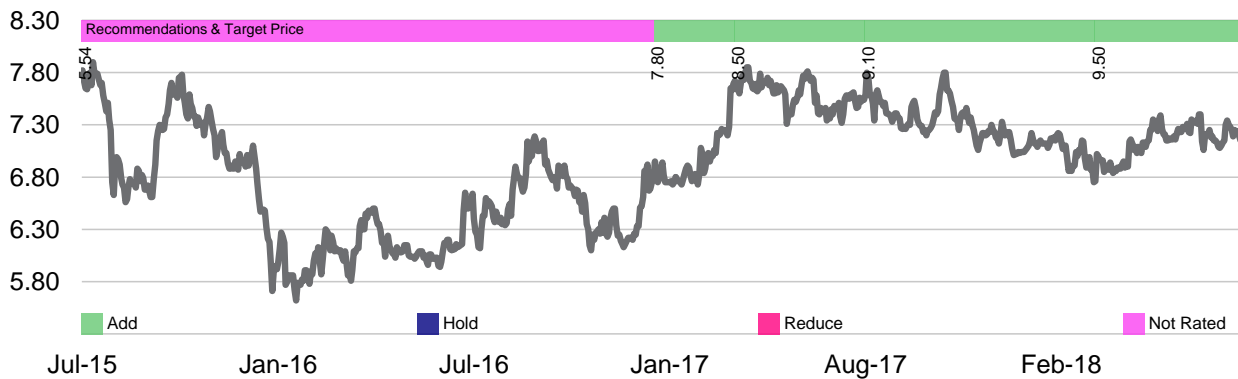
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1203 companies under coverage for quarter ended on 30 June 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	62.3%	4.5%
Hold	26.2%	2.5%
Reduce	9.3%	0.8%

Spitzer Chart for stock being researched (2 year data)

Hongkong Land Holdings Ltd (HKL SP)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good,

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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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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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