



Company Report

COLI (688 HK)

June 6, 2013

Rating: Buy

TP: HK\$26.00

Key data

Share price (HK\$)	22.85
Target price (HK\$)	26.00
Upside potential (%)	13.8
52Wk H/L(HK\$)	25.60/15.22
Issued shares (mn)	8,173
Market cap (HK\$mn)	186,744
30-day avg vol (HK\$mn)	470
Major shareholder (%)	
China State Construction Engineering Corporation	53.18

Source: Company & Bloomberg

Revenue breakdown by segment (2012) (%)

Property development	95.1
Property investment	0.9
Others	4.0

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	(5.4)	(1.8)
3-mth	3.9	7.2
6-mth	0.9	1.8

*Relative to Hang Seng Index

Source: Bloomberg

1 year price performance



Source: Bloomberg

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Previous report: N/A (Initiation)

Unrivaled market leader

When COLI announced a flattish 2013 sales target early this year, market started to concern whether COLI reached a “too big to grow” stage. However, COLI proved the statement incorrect by its impressive Jan- Apr 2013 sales performance of HKD52b, +37% YoY, or 52% of its sales target. More importantly, we expect COLI’s industry leading net margin (21%) is likely to be maintained, well ahead of industry average of 14% only.

Likely to beat 2013 target again. By Apr 2013, COLI achieved 52% of its sale target of HKD100b, which we believe to be conservative. Despite a possible slowdown in sales figures in May on latest policy, we expect new projects launches, concentrated mainly in Jun, Sep & Oct, to drive sales further in 2H2013. In fact, COLI has a good track record of beating its sales target

Highest margin in the sector. We expect COLI to maintain its industry leading gross margin of 38-40% and net margin of 20-23% in 2013-2015. Due to economy of scale and good cost control, COLI’s margin has been consistently higher than peers.

Deserve a market leadership premium. Despite trading to the high-end of sector at 10x 2013 PE, we believe COLI deserves trading at premium given good track record, high margin and market leadership position.

Initiate COLI with BUY. We derive the COLI’s TP of HKD26.00 based on 0% discount to NAV, with 14% upside. We used DCF with WACC of 7.3% to value property development, while 5% cap rate for investment properties. Market has been concerned about possibility of COLI’s slowdown due to high base, but we argue COLI’s represent only ~2.5% of market share and still have rooms to grow.

Risk factors: 1) Further tightening from government; 2) Overly aggressive in land acquisition at expensive price could lead to margin erosion; 3) Revenue and core profit growth may slow down in FY15.

Results and valuation

(FY ended Dec 31)	FY11A	FY12A	FY13E	FY14E	FY15E
Revenue (HKD mn)	51,332	64,581	107,428	124,417	119,923
Y-Y Chg (%)	10.0	25.8	66.3	15.8	(3.6)
Underlying net profit (HKD mn)	12,548	15,958	19,390	24,389	25,089
Y-Y Chg (%)	33.4	27.2	21.5	25.8	2.9
Underlying EPS (HKD)	1.54	1.95	2.37	2.98	3.07
BVPS (HKD)	8.76	10.68	12.57	14.96	17.42
DPS (HKD)	0.33	0.41	0.47	0.60	0.61
PE (x)	14.9	11.7	9.6	7.7	7.4
PB (x)	2.6	2.1	1.8	1.5	1.3
Dividend yield (%)	1.4	1.8	2.1	2.6	2.7

Source: Company, ABCI Securities estimates



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A proxy for China property sector

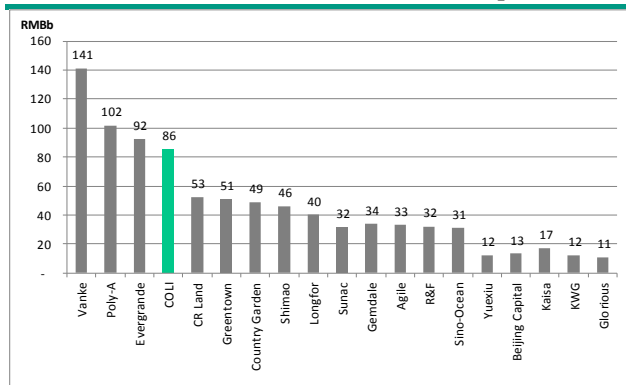
Listed in 1992, China Overseas Land & Investment (COLI) has always been recognized as the market leader in the China property sector. Key features of COLI are:

- **A national player:** COLI's operation spans over different regions in China. COLI invests mainly in 1st/2nd tier cities, while its 38% associate COGO (81 HK) covers 3rd/4th tier cities in China.
- **SOE background:** SOE status allows COLI to get borrowing from major banks (domestic/offshore) at low interest rate. COLI is also rated BBB+ by Fitch.
- **A proxy for China property sector:** Ranked fifth in contracted sales and first in market cap within sector, COLI is the most actively traded HK listed China property stocks, with average daily trading turnover of HKD460m.

We initiate COLI with a BUY rating based on 2 key reasons:

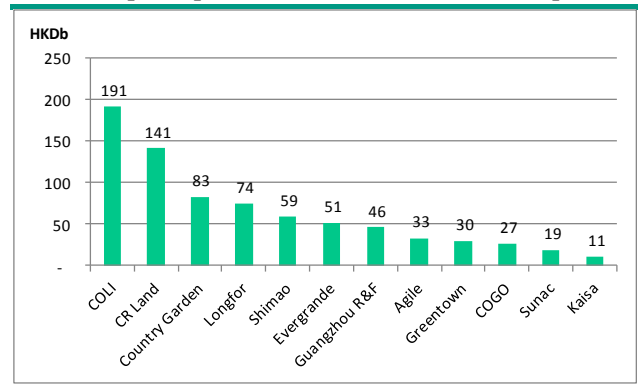
- **Likely to beat its conservative sales target:** Market has been disappointed by its flattish annual sales target of HKD100b announced in Mar 2013. However, given strong Jan-Apr 2013 sale performance, we forecast COLI's 2013 sales could reach HKD120b.
- **Highest margin in the sector:** We expect COLI to maintain its industry leading gross margin of 38-40% in 2013-2015, due to economy of scale and cost control.

2012 Contracted Sales - Listed China Developers



Source: COLI, ABCI Securities

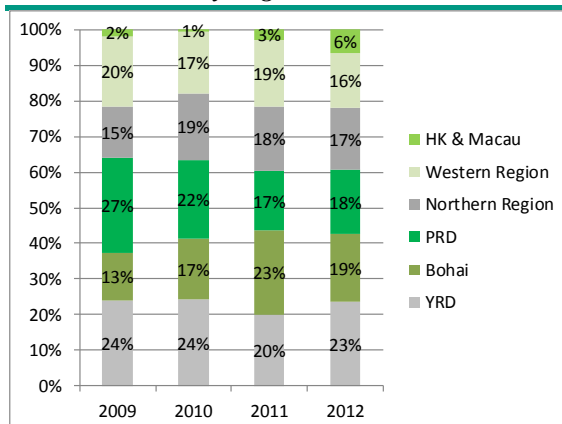
Market Cap comparison - HK listed China Developers



* Data as at 5 Jun 2013

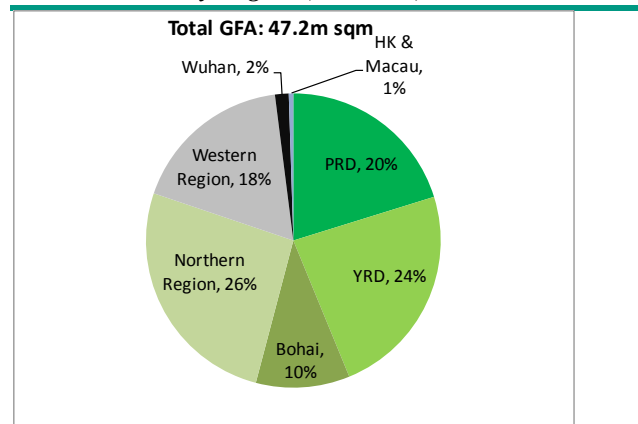
Source: COLI, ABCI Securities

Contracted Sales by Region



Source: COLI, ABCI Securities

Total landbank by Region (2012-end)



* Including COGO's landbank

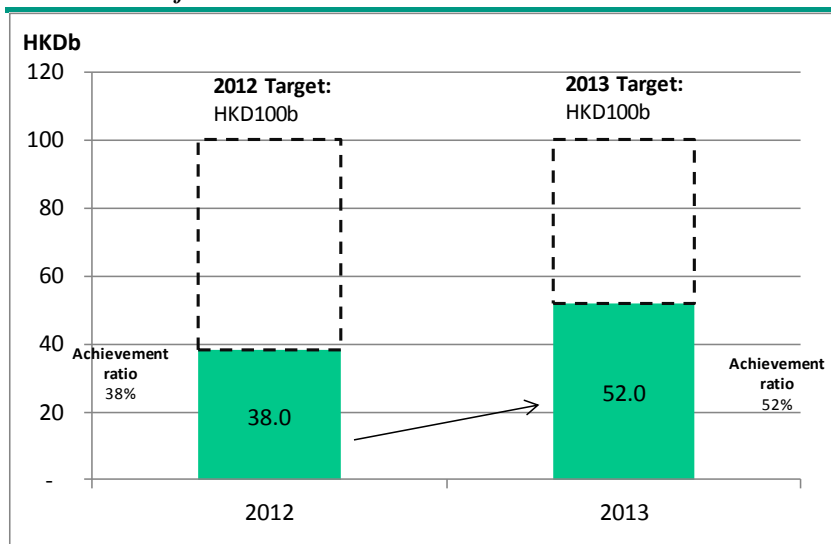
Source: COLI, ABCI Securities

Impressive Jan-Apr'13 sales performance

2013 Sales target looks conservative

COLI's contracted sales grew significantly by 37% YoY to HKD52b in Jan-Apr 13, despite already large base. COLI so far achieved 52% of its sale target of HKD100b, which we believe to be conservative. Despite a possible slowdown in sales figures in May on latest policy, we expect new projects launches, concentrated mainly in Jun, Sep & Oct, to drive sales further in 2H2013.

4M13 sales Performance

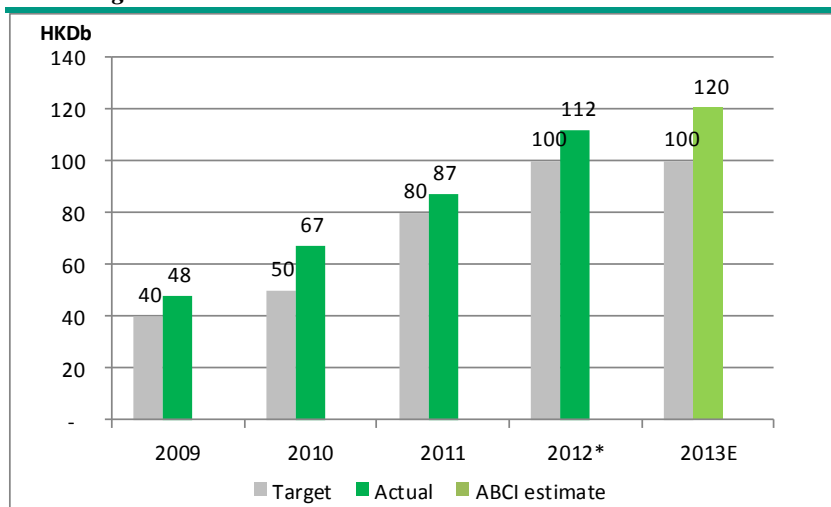


Source: COLI, ABCI Securities

Good track record of beating its target

In fact, COLI has a good track record of beating its sales target set in beginning of year, when visibility for full year still low. In August 2012, COLI revised upward its 2012 sales target to HKD100b from HKD80b. We expect COLI to achieve HKD120b contracted sales in 2013, +8% YoY.

Sales Target vs Actual



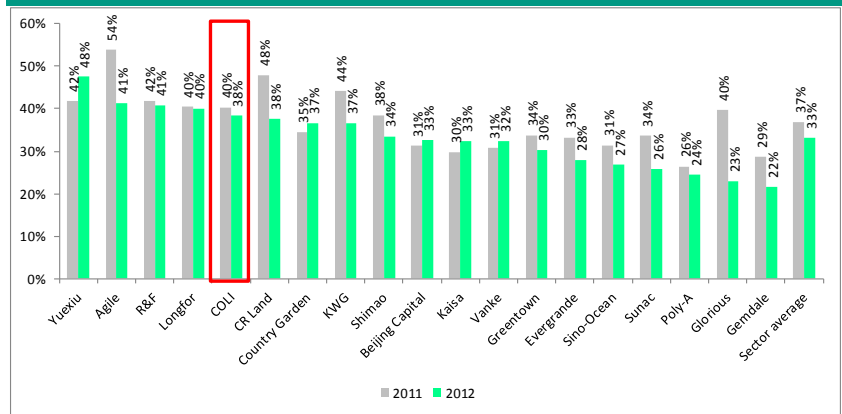
* Initial 2012 sales target was HKD80b, but revised upward to HKD100b in 2H12

Source: COLI, ABCI Securities estimates

Best-in-class margin

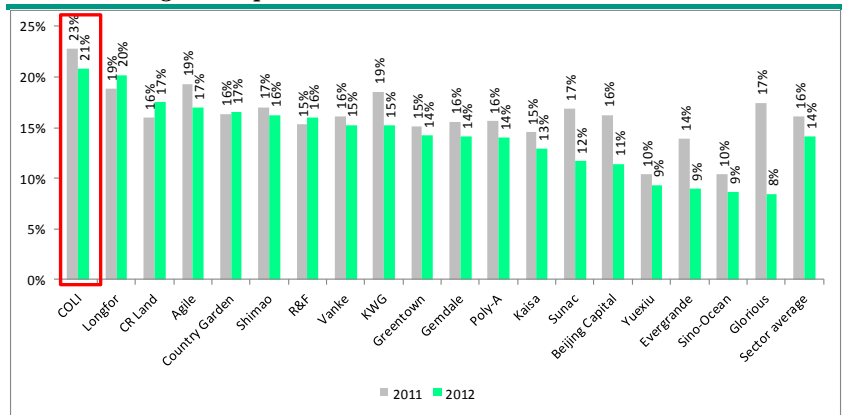
Despite fast growing topline in the past, COLI didn't sacrifice margin for volume. COLI's gross margin of 38-40% level was consistently higher than sector average past two years, while its core net margin (21-23%) was the highest among the industry.

Gross Margin Comparison



Source: Companies, ABCI Securities

Core Net Margin Comparison



Source: Companies, ABCI Securities

COLI vs Vanke

One of the reasons for industry leading margin is COLI's economy of scale. However, such competitive advantage has not been seen by Vanke (000002 CH), largest China developer in terms of contracted sales. Main reasons are:

- **Longer landbank life as buffer:** As COLI has a longer land bank life of ~8 year, it is of no urgency to refill land bank when land market heated up; in the contrary, Vanke would be at risk of land bank depletion and cannot sustain the annual sales of RMB100b+, if land acquisition is suspended.
- **Lower financing cost:** COLI utilized its SOE identity more efficiently to raise cheap offshore borrowing (effective interest rate: 4.0% in 2012), while Vanke, an A-share listed company, was only able to raise USD bond very recently in March 2013. Vanke has a much higher effective interest rate of 9.5% in 2012

Key Financials- Vanke vs COLI

	COLI		Vanke		Diff.	
	2011 HKDm	2012 HKDm	2011 RMBm	2012 RMBm	2011 %	2012 %
Revenue	51,332	64,581	67,709	96,860		
Gross Profit	20,672	24,725	24,460	31,406		
<i>Gross Margin (%)</i>	40.3%	38.3%	36.1%	32.4%	4.1%	5.9%
EBIT	18,775	22,689	20,098	26,547		
<i>EBIT Margin (%)</i>	36.6%	35.1%	29.7%	27.4%	6.9%	7.7%
Underlying Net Profit	12,548	15,958	11,600	15,662		
<i>Net Margin (%)</i>	24.4%	24.7%	17.1%	16.2%	7.3%	8.5%
Contracted Sales (RMBm)	89,216	96,108	122,170	141,220		
GFA (m sqm)	5.6	7.3	10.8	13.0		
ASP (RMB/ sqm)	15,983	13,181	11,294	10,900		
Total land bank Size (m sqm)	43.0	47.2	32.8	39.5		
GFA completed (m sqm)	5.2	6.3	6.6	9.8		
<i>Landbank life (year)</i>	8.2	7.5	5.0	4.0		
GFA acquired (m sqm)	10.6	10.3	9.2	15.9		
Gross finance cost	1,474	1,868	4,208	5,782		
<i>Effective interest rate (%)</i>	3.8%	4.0%	8.6%	9.5%		

Source: COLI, Vanke, ABCI Securities

COLI or COGO?

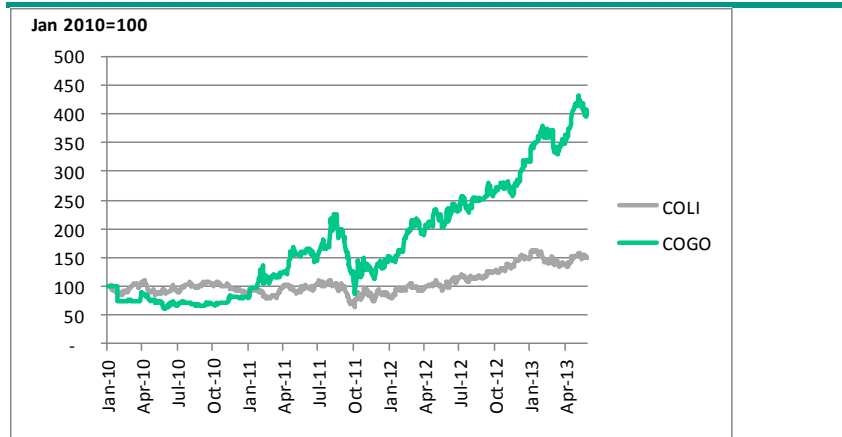
Shareholding structure



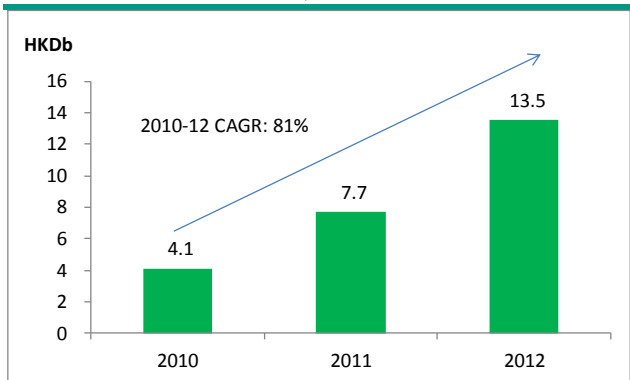
Source: COLI

In the year 2009, when land market was extremely overheated, COLI announced acquisition of China Overseas Grand Oceans (COGO) (81 HK), formerly called Shell Electric, as a cheaper alternative of land banking. Since then, COGO (now 38% owned by COLI) has become the COLI's listed property development platform for 3rd/4th –tier cities. As indicated from COGO's share price performance, investors have been more positive on the stock than COLI, due to faster contracted sales growth from a small base.

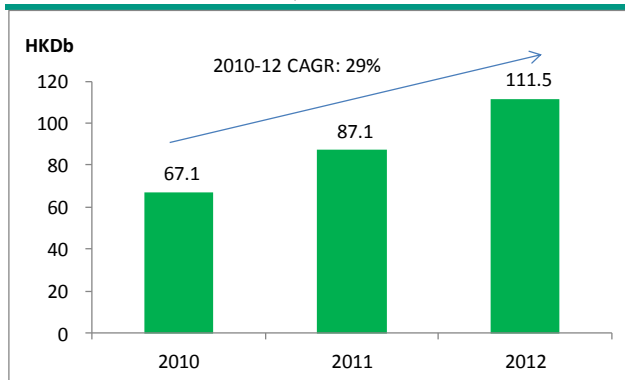
Share Price Performance- COLI vs COGO



Source: Bloomberg

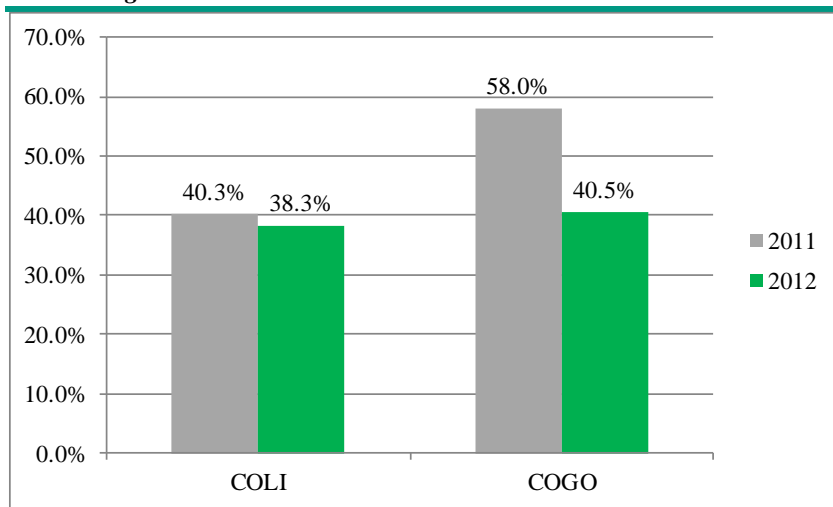
COGO's Contracted Sales (2010-2012)


Source: COGO, ABCI Securities

COLI's Contracted Sales (2010-2012)


Source: COLI, ABCI Securities

However, situation may reverse as COGO's base becoming bigger and unable to offer such impressive growth in past. Further, management commented that 1st/2nd tier cities have better sale performance so far in 2013. Going forward, COGO gross margin may also come down to 35-40% from 58% in 2011 & 40% in 2012, as cheap legacy land bank depleted. COGO outperformance could reverse later in 2013.

Gross Margin- COLI vs COGO


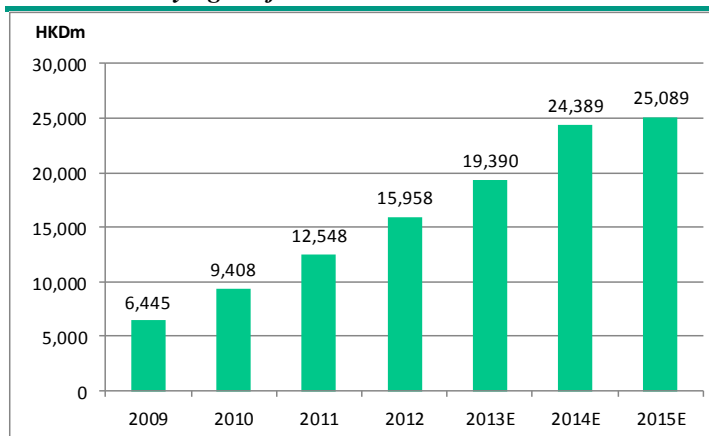
Source: COLI, COGO, ABCI Securities



Deserve market leadership premium Yet to see slowing down trend

Market has been concerned about possibility of COLI's slowdown in sales given already high base, especially when COLI announced a flattish sales target in March 2013. We argue COLI's sales represent only 2.5% of market share and there are still many cities remain uncovered. We assume COLI can achieve 8m sqm GFA land acquisition guidance in 2013, and provides a stronger sales growth in 2014E. Overall, we estimated COLI's underlying net profit (ex-revaluation) to deliver 14% CAGR growth in 2013-2015E.

COLI's Underlying Profit



Source: Companies, ABCI Securities estimates

Despite trading to the high-end of sector at 9.6x 2013 PE, we believe COLI deserves trading at premium given good track record, high margin and market leadership position.

Estimated Market Share

	Contracted Sales (RMBb)					Mkt share (%)				
	2009	2010	2011	2012	Jan-Apr 2013	2009	2010	2011	2012	YTD 2013
1 Vanke	63.4	108.2	122.2	141.2	56.0	1.7%	2.5%	2.5%	2.6%	3.3%
2 Poly-A	43.4	66.2	73.2	101.7	40.2	1.1%	1.5%	1.5%	1.9%	2.4%
3 Evergrande	30.3	50.4	80.4	92.3	25.0	0.8%	1.1%	1.7%	1.7%	1.5%
4 COLI	47.8	67.1	70.3	89.8	41.7	1.3%	1.5%	1.4%	1.7%	2.5%
5 CR Land	25.1	22.3	35.9	52.2	23.2	0.7%	0.5%	0.7%	1.0%	1.4%
6 Greentown	51.3	54.1	34.5	51.0	17.9	1.3%	1.2%	0.7%	1.0%	1.1%
7 Country Garden	23.2	32.9	43.2	47.6	23.1	0.6%	0.7%	0.9%	0.9%	1.4%
8 Shimao	22.5	30.5	30.7	46.1	18.3	0.6%	0.7%	0.6%	0.9%	1.1%
9 Longfor	18.4	33.3	38.3	40.1	13.4	0.5%	0.8%	0.8%	0.8%	0.8%
10 Sunac	6.4	8.3	17.7	31.6	11.3	0.2%	0.2%	0.4%	0.6%	0.7%
11 Gemdale	21.0	28.8	31.0	34.1	11.4	0.6%	0.7%	0.6%	0.6%	0.7%
12 Agile	20.1	32.3	31.5	33.1	9.9	0.5%	0.7%	0.6%	0.6%	0.6%
13 R&F	16.0	32.2	29.7	32.2	12.4	0.4%	0.7%	0.6%	0.6%	0.7%
14 Sino-Ocean	14.3	21.6	27.0	31.1	11.5	0.4%	0.5%	0.6%	0.6%	0.7%
15 Yuexiu	6.1	8.8	9.1	12.3	6.4	0.2%	0.2%	0.2%	0.2%	0.4%
16 Beijing Capital	10.6	12.5	11.0	13.3	3.3	0.3%	0.3%	0.2%	0.2%	0.2%
17 Kaisa	6.0	10.1	15.3	17.4	6.6	0.2%	0.2%	0.3%	0.3%	0.4%
18 KWG	7.6	11.0	11.4	12.2	5.3	0.2%	0.3%	0.2%	0.2%	0.3%
19 Glorious	6.7	12.7	13.3	10.9	3.0	0.2%	0.3%	0.3%	0.2%	0.2%
Major listed developer	440	643	726	890	340	11.5%	14.6%	14.9%	16.7%	20.1%
National	3,816	4,395	4,862	5,347	1,694					

* YTD figures are for Jan- Apr 2013

Source: Companies, NBS, ABCI Securities

Peer's valuation

China Property	Ticker	Rating	Mkt cap (HKD bn) (local ccy)	Share Price	Performance			Discount to 2013E NAV (%)	P/E			Yield (%)			P/B		
					1-Month % Chg	YTD % Chg	2012 Chg		2012A	2013E	2014E	2012A	2013E	2014E	2012A	2013E	2014E
Residential :																	
1	COLI	BUY	186.7	22.85	-4.2%	-1%	76%	-12.3%	11.7	9.6	7.7	1.8	2.1	2.6	2.1	1.8	1.5
2	Greentown	BUY	30.0	13.94	-8.4%	-2%	320%	-56.6%	5.3	4.4	3.4	4.5	4.9	5.4	1.1	0.9	0.7
3	Sunac	BUY	19.6	5.92	-4.1%	-1%	277%	-62.6%	6.0	4.2	3.9	1.8	2.4	2.6	1.5	1.1	0.9
4	Kaisa	BUY	10.6	2.15	-11.2%	-10%	78%	-57.0%	6.3	4.3	2.8	-	-	-	0.7	0.6	0.5
5	CR Land	NR	138.1	23.70	0.9%	12%	70%	-15.2%	18.2	14.9	11.9	1.4	1.7	2.1	2.0	1.7	1.5
6	Country Garden	NR	80.4	4.41	0.0%	9%	39%	-27.7%	9.5	8.0	6.9	3.9	4.6	5.3	1.7	1.5	1.3
7	Longfor	NR	71.7	13.20	-1.2%	-13%	77%	-37.0%	10.6	8.8	7.7	1.9	2.2	2.6	1.9	1.6	1.4
8	Shimao	NR	58.2	16.76	-2.2%	15%	122%	-43.3%	8.1	7.7	6.5	3.2	4.0	4.6	1.3	1.1	1.0
9	Evergrande	NR	49.5	3.09	-3.4%	-27%	32%	-63.6%	4.1	4.7	4.1	-	5.7	6.4	1.0	0.8	0.7
10	Guangzhou R&F	NR	42.1	13.08	-8.5%	1%	109%	-48.9%	7.0	6.1	5.4	5.7	6.2	7.0	1.3	1.1	1.0
11	Agile	NR	32.2	9.35	-6.3%	-14%	56%	-58.9%	5.2	5.2	4.6	4.1	4.7	5.3	1.0	0.8	0.7
11	Sino Ocean	NR	26.7	4.55	-14.6%	-21%	64%	-51.3%	7.7	7.8	6.4	5.2	5.3	6.2	0.5	0.5	0.5
11	COGO	NR	24.9	10.90	-11.1%	17%	47%	-21.4%	10.4	8.5	6.7	1.0	1.4	1.6	3.1	2.3	1.7
11	Yuexiu Properties	NR	20.6	2.21	-5.2%	-10%	123%	-58.2%	15.8	7.2	6.1	2.9	5.1	6.2	0.7	0.7	0.6
11	KWG	NR	15.0	5.17	-7.0%	-11%	121%	-60.2%	6.3	5.1	4.2	3.6	4.9	5.4	0.8	0.7	0.6
11	Glorious	NR	9.4	1.20	-3.2%	-18%	16%	na	11.0	5.0	4.1	-	1.6	2.2	0.4	0.4	0.3
17	BJ Capital Land	NR	6.4	3.11	5.8%	-3%	109%	na	6.1	4.0	3.1	7.6	8.5	11.2	0.9	0.5	0.5
HK Listed Avg					-4.9%	-5%	102%	-44.9%	8.8	6.8	5.6	2.9	3.8	4.5	1.3	1.1	0.9
- Large cap (>HKD50b) avg					-1.4%	4%	77%	-27.1%	11.6	9.8	8.1	2.4	2.9	3.5	1.8	1.6	1.3
- Small-mid cap (<HKD50b) avg					-6.4%	-8%	113%	-53.9%	7.6	5.5	4.6	3.0	4.2	5.0	1.1	0.9	0.7
1	Vanke	NR	165.8	11.83	4%	24%	30%	-22.2%	10.4	8.4	7.0	1.5	1.6	1.9	2.0	1.7	1.4
2	Poly-A	NR	109.8	12.15	1%	-11%	40%	-34.6%	10.3	8.0	6.4	1.9	2.4	3.1	2.0	1.7	1.4
3	China Merchants Property	NR	59.8	29.05	8%	-3%	69%	na	15.0	11.6	9.4	1.0	1.2	1.5	2.1	1.8	1.5
4	Gemdale	NR	43.5	7.69	6%	10%	46%	-6.1%	10.1	9.3	7.7	1.0	2.0	2.3	1.4	1.3	1.2
A-share Listed Avg					5%	5%	46%	-20.9%	11.5	9.3	7.6	1.4	1.8	2.2	1.9	1.6	1.4
Commercial:																	
1	SOHO China	NR	32.4	6.58	-4%	6%	21%	-34.2%	8.3	8.0	11.7	4.7	4.8	4.6	0.9	0.8	0.8
2	Franshion	NR	25.9	2.83	5%	1%	104%	-50.4%	7.7	8.8	7.5	2.5	2.7	3.4	0.9	0.9	0.8
3	Mingfa	NR	14.7	2.41	1%	5%	0%	na	29.0	18.1	13.1	-	-	2.6	1.3	1.2	1.2
4	Renhe Commercial	NR	10.0	0.48	-4%	-41%	0%	-82.4%	9.0	11.0	6.0	-	-	-	0.4	0.4	0.3
Commercial Property Avg					-1%	-7%	31%	-55.7%	13.5	11.5	9.6	1.8	1.9	2.7	0.9	0.8	0.8

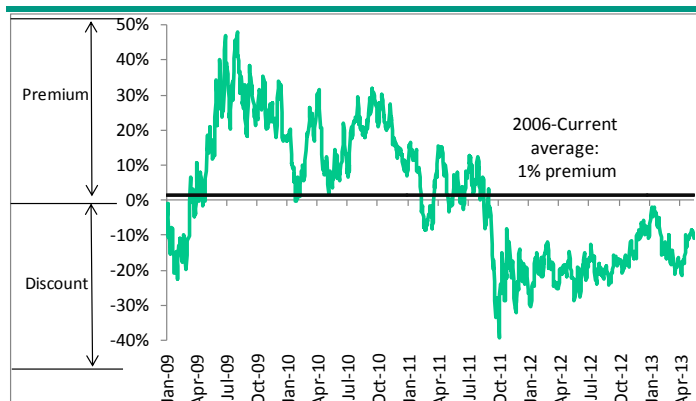
* The data in table is as at 5 June 2013
 Source: Bloomberg; ABCI Securities estimates

Initiate COLI with a BUY, TP HKD26.00 based on 0% discount to NAV

We derive the COLI's TP of HKD26.00 based on 0% discount to NAV. We used DCF with WACC of 7.3% to value property development project as significant portion of cashflow occurs beyond next 1-2 years. Property development represents 94% of Gross Assets Value (GAV), with the rest coming from investment properties (which we value at 5% cap rate on net rental income). We applied 0% discount (in line with historical average in 2009-current) to our NAV forecast, to derive TP of HKD26.00, implying 6.1x 2013E PE or 1.2x 2013E PB



Discount to NAV



Source: COLI, ABCI Securities

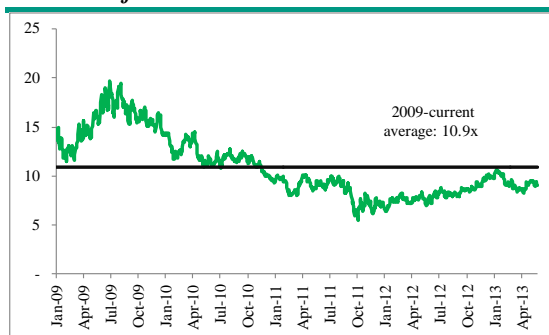
COLI's 2013E NAV breakdown

	Attr. GFA (M sqm)	Net assets value (HKD m)	% of total	Valuation Methodology	Implied value per sqm (HKD)
Property development					
Hua Nan	9.7	53,076	25%	DCF at WACC of 7.3%	5,459
Hua Dong	9.4	50,046	23%		5,296
Hua Bei	4.4	16,739	8%		3,785
Northern	11.7	47,848	22%		4,076
Western	7.5	28,762	13%		3,811
HK & Macau	0.22	3,847	2%		17,215
Subtotal	43.1	200,317	94%		4,647
Investment Properties		12,842	6%	5.0% cap rate on 2013E net rental	
Total 2013E GAV		213,159	100%		
2013E Net debt		(280)	0%		
Total 2013E NAV		212,879	100%		
No. of share outstanding		8,173			
NAV per share (HKD)		26.0			
Target Premium/ (discount) (%)		0%			
Target Price (HKD)		26.00			
Current price (HKD)		22.85			
Upside		14%			
WACC		7.3%			
Cost of debt		3.5%			
Cost of Equity		10.0%			
Debt/ (Debt + Equity)		36%			

* Share price as at 5 Jun 2013

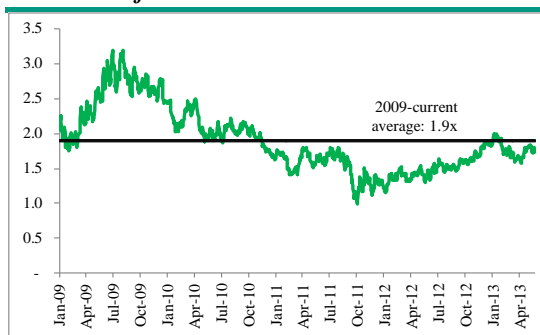
Source: COLI, ABCI Securities estimates

Historical forward PE



Source: COLI, ABCI Securities

Historical forward PB



Source: COLI, ABCI Securities



What are the risks?

- **Unable to replenish landbank on a timely manner:** Given COLI's contracted sales have already exceeded HKD100b, land acquisitions have to be done on timely manner to sustain such huge topline. COLI tends to be conservative in land bidding price, hence it is possible COLI could be lack of saleable resources if its landbank deplete. Having said that, current landbank life of ~7 years should provide sufficient buffer.
- **Earnings growth may slow on high base:** Despite we expect underlying profit growth to maintain above 20% in 2013 & 2014. We do see high base risk to emerge in 2015, as we forecast profit growth should decelerate to 3% only. Nevertheless, we still believe COLI's market share position and industry leading margin to remain.

Income statement forecast

Dec-end (HKDm)	2011A	2012A	2013E	2014E	2015E
Revenue	51,332	64,581	107,428	124,417	119,923
Cost of sales	(30,660)	(39,855)	(67,624)	(77,267)	(73,417)
Gross Profit	20,672	24,725	39,804	47,149	46,506
SG&A expenses	(1,897)	(2,037)	(2,376)	(2,543)	(2,607)
EBIT	18,775	22,689	37,427	44,606	43,900
Finance cost	(591)	(286)	(332)	(356)	(356)
Share of profit of associates	922	2,637	351	528	535
Other income/ (expenses)	771	696	938	1,519	2,335
Fair value gain of investment properties	3,020	3,651	-	-	-
Disposal/one-off items	868	35	-	-	-
Profit before tax	23,765	29,422	38,385	46,297	46,413
Tax	(8,207)	(10,590)	(16,547)	(19,266)	(18,900)
Profit after tax	15,558	18,832	21,838	27,031	27,513
Minority interest	(94)	(110)	(2,448)	(2,642)	(2,424)
Reported net profit	15,464	18,722	19,390	24,389	25,089
<i>Less: exceptional items</i>	<i>(2,916)</i>	<i>(2,765)</i>	-	-	-
Underlying net profit	12,548	15,958	19,390	24,389	25,089
Per share					
Underlying EPS (HKD)	1.54	1.95	2.37	2.98	3.07
DPS (HKD)	0.33	0.41	0.47	0.60	0.61
Payout ratio (%)	21%	21%	20%	20%	20%
BVPS (HKD)	8.76	10.68	12.57	14.96	17.42
Growth %					
Revenue	10.0%	25.8%	66.3%	15.8%	-3.6%
Gross Profit	16.3%	19.6%	61.0%	18.5%	-1.4%
EBIT	18.3%	20.8%	65.0%	19.2%	-1.6%
Underlying net profit	33.4%	27.2%	21.5%	25.8%	2.9%
Margin %					
Gross margin	40.3%	38.3%	37.1%	37.9%	38.8%
Gross margin (post-LAT)	34.0%	32.1%	29.4%	30.6%	31.9%
EBIT margin	36.6%	35.1%	34.8%	35.9%	36.6%
Core net margin	22.8%	20.8%	20.0%	21.3%	22.5%
Key assumptions					
Contracted Sales (HKDm)	87,090	111,520	120,135	138,034	125,514
GFA sold (m sqm)	5.58	7.29	7.70	8.63	8.12
ASP (HKD/sqm)	15,602	15,295	15,611	15,989	15,449
Booked Sales (HKD)	49,432	61,407	103,849	120,407	115,407
GFA delivered (m sqm)	2.94	4.18	6.41	6.62	5.93
Booked ASP (HKD/sqm)	16,814	14,691	16,195	18,175	19,461
Land acquisition (HKDm)	24,161	35,639	28,000	-	-
GFA acquired (m sqm)	10.6	10.3	8.0	-	-
Land cost (HKD/sqm)	2,287	3,453	3,500	-	-
Land acquisition to Contracted sales (%)	27.7%	32.0%	23.3%	-	-
Land bank GFA (m sqm)	43.0	47.2	48.7	42.1	36.2
Attributable Land bank GFA (m sqm)	37.4	42.0	43.4	37.5	32.2

Source: Company, ABCI Securities estimates



China Overseas Land & Investment

Balance sheet forecast

Dec-end (HKDm)	2011A	2012A	2013E	2014E	2015E
Current assets	127,984	180,268	199,135	211,189	214,286
Cash	19,179	40,880	58,508	102,442	144,932
Trade & other receivables	1,850	2,599	2,599	2,599	2,599
Property under development	97,472	111,752	112,991	81,111	41,720
Other current assets	9,483	25,036	25,036	25,036	25,036
Non-current assets	47,991	49,557	51,373	53,365	55,364
Property, plant & equipment	338	976	1,040	1,105	1,169
Investment properties	17,765	23,657	25,157	26,657	28,157
Investment in Associate and JCE	16,009	17,192	17,444	17,872	18,307
Other non-current assets	13,879	7,732	7,732	7,732	7,732
Total Assets	175,975	229,825	250,507	264,554	269,651
Current Liabilities	67,929	83,975	86,748	78,692	61,343
Short term borrowings	9,820	5,546	5,546	5,546	5,546
Trade & other payables	16,378	16,917	16,917	16,917	16,917
Pre-sales deposits	24,480	40,506	43,279	35,222	17,874
Other current assets	17,250	21,007	21,007	21,007	21,007
Non-current liabilities	36,156	58,292	58,292	58,292	58,292
Long term borrowings	32,803	53,243	53,243	53,243	53,243
Other payables	1,055	2,018	2,018	2,018	2,018
Other non-current assets	2,298	3,031	3,031	3,031	3,031
Total Liabilities	104,085	142,268	145,041	136,984	119,635
Net Assets	71,890	87,557	105,467	127,570	150,015
Shareholders Equity	71,617	87,244	102,756	122,267	142,339
Minority Interest	273	313	2,711	5,302	7,676
Total Equity	71,890	87,557	105,467	127,570	150,015
Key ratio					
Gross debt (HKDm)	42,624	58,789	58,789	58,789	58,789
Net debt (HKDm)	23,444	17,908	280	(43,654)	(86,143)
Net gearing (%)	33%	21%	0%	-36%	-61%
Contracted sales/ Total assets (x)	0.49	0.49	0.48	0.52	0.47

Source: Company, ABCI Securities estimates



China Overseas Land & Investment

Cashflow forecast

Dec-end (HKDm)	2011A	2012A	2013E	2014E	2015E
EBITDA	18,819	22,741	37,480	44,659	43,952
Change in Working Capital	(20,853)	(7,539)	3,371	25,796	24,016
Tax payment	(5,963)	(8,153)	(16,547)	(19,266)	(18,900)
Operating Cashflow	(7,998)	7,050	24,304	51,188	49,068
Purchase of PP&E	(143)	(117)	(117)	(117)	(117)
Addition of Investment Properties	(1,422)	(1,587)	(1,500)	(1,500)	(1,500)
Others	(3,888)	3,209	1,038	1,619	2,435
Investing Cashflow	(5,453)	1,506	(579)	2	818
Debt raised	9,450	16,048	10,000	10,000	10,000
Debt repaid	(8,694)	(11,003)	(10,000)	(10,000)	(10,000)
Interest expenses	(1,361)	(1,745)	(2,169)	(2,329)	(2,329)
Equity raised	-	-	-	-	-
Dividend to shareholders	(2,452)	(3,024)	(3,878)	(4,878)	(5,018)
Others	2,776	12,869	(50)	(50)	(50)
Financing Cashflow	(282)	13,146	(6,097)	(7,257)	(7,397)
Net cash inflow/ (outflow)	(13,733)	21,701	17,628	43,934	42,489
Cash- beginning	32,912	19,179	40,880	58,508	102,442
Cash- year-end	19,179	40,880	58,508	102,442	144,932

Source: Company, ABCI Securities estimates



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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq 180$ day volatility/180 day benchmark index volatility
High	$1.5 \leq 180$ day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq 180$ day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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