

Hong Kong

June 16, 2022 - 8:02 PM

ADD (no change)

Consensus ratings*: Buy 29 Hold 2 Sell 0

| | |
|-------------------------|--------------|
| Current price: | HK\$21.90 |
| Target price: | HK\$28.20 |
| Previous target: | HK\$28.20 |
| Up/downside: | 28.8% |
| CGS-CIMB / Consensus: | -6.2% |
| Reuters: | 0688.HK |
| Bloomberg: | 688 HK |
| Market cap: | US\$30,534m |
| | HK\$239,693m |
| Average daily turnover: | US\$80.79m |
| | HK\$630.8m |
| Current shares o/s | 10,945m |
| Free float: | 44.0% |

*Source: Bloomberg

Key financial forecasts

| | Dec-22F | Dec-23F | Dec-24F |
|-------------------|---------|---------|---------|
| Net Profit (Rmbm) | 38,417 | 41,809 | 44,170 |
| Core EPS (Rmb) | 3.51 | 3.82 | 4.04 |
| Core EPS Growth | 5.55% | 8.83% | 5.65% |
| FD Core P/E (x) | 5.34 | 4.90 | 4.64 |
| Recurring ROE | 10.8% | 11.0% | 10.8% |
| P/BV (x) | 0.56 | 0.52 | 0.48 |
| DPS (Rmb) | 1.14 | 1.24 | 1.31 |
| Dividend Yield | 6.07% | 6.61% | 6.98% |



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|-------|------|------|
| Absolute (%) | -7.6 | 1.9 | 12.8 |
| Relative (%) | -12.1 | -1.9 | 39.5 |

| Major shareholders | % held |
|-------------------------|--------|
| China Overseas Holdings | 56.0 |

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China Overseas Land & Investment Ltd

Takeaways from virtual property conference

- COLI expects its sales to rebound in Jun vs. May, though still much lower yoy due to the high base a year ago.
- COLI sees the property markets of small cities as very challenging due to weak demand and high inventory.
- COLI is not keen on M&As given the difficulty in managing M&A-related risks, and prices for land from land auctions are currently attractive. Reiterate Add.

Jun sales to be higher than May but still well below last Jun's

- COLI participated in our virtual property conference this week. Below are some of the key takeaways from meetings with COLI's management.
- 5M22 sales were Rmb95bn, down 39% yoy. May sales were Rmb26bn, up 30% mom, partly due to the inclusion of sales from a Hong Kong project in Yuen Long. On a yoy basis, May sales were significant lower, down 23% yoy.
- Management believes market sentiment had bottomed in Apr, and improved meaningfully in May. It expects Jun sales to exceed May's, but still well below last Jun's.
- Management expects sales to continue to improve when supportive measures such as lower down payment for property purchases and lower mortgage rates, materialise.

M&As not as easy as some investors think

- In 5M22, COLI acquired 17 plots of land for total cost of Rmb35bn, including three parcels from its associate company COGO (81 HK, not rated). Most of these lands were acquired from public auctions.
- In the past 6-9 months, COLI has also acquired some projects from other developers or from its JV partners.
- On the issue of M&A, management said COLI is open to it, as long as the target meets the minimum requirement of not less than 12% for return on investment or not less than 15% for internal return of requirement (IRR). However, COLI prefers project-based M&As instead of corporate level M&As, as it is difficult to assess the risks related to M&As. In the past six months, COLI has not concluded any deals to acquire its competitors.
- Management further added that land prices have turned more attractive in the past 6-9 months and many of land parcels it had acquired in the past 6-9 months were transacted at a low premium or at reserve price only.

Low tier cities' property market very challenging

- Management said the polarisation of property markets between top tier and small cities is quite obvious in China.
- Demand in low tier cities is quite weak, due to 1) high inventory level, 2) weaker economy, and 3) population outflow.
- Overall, COLI will be very selective in buying land in smaller cities, it said.

Moderately fast asset turn strategy to continue

- Management said COLI will continue its moderately fast asset turn strategy, adopted since 2018. COLI will keep buying land given its strong balance sheet.
- Management expects GPM to stay at a low level in FY22 to reflect the weak market in 2021. However, it said a 20% GPM (achieved in FY21) is quite low and unlikely to drop further, as land prices have already come down.

Maintain Add and TP of HK\$28.2

- We maintain our Add rating and TP of HK\$28.2, based on 10% discount to NAV.
- We believe COLI is one of the key beneficiaries of the rapid consolidation in China's property market given its strong balance sheet and state-owned enterprise status.
- Downside risks to our call include weaker-than-expected recovery of property sales in 2H22F. Potential re-rating catalysts include more supportive measures from regulators.

Figure 1: China property valuation summary

| Company | Bloomberg Ticker | Share price (HK\$) | TP (HK\$) | Rating | Mkt cap (US\$ m) | NAV/sh (HK\$) | Disc. to NAV (%) | Upside (%) | P/E (x) | | | P/BV(x) | | | Yield (%) | | | Net Gearing (%) | | | |
|----------------------------------|------------------|--------------------|-----------|--------|------------------|---------------|------------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-----------------|-----------|-----------|-----------|
| | | | | | | | | | 2020 | 2021 | 2022F | 2020 | 2021 | 2022F | 2020 | 2021 | 2022F | 2020 | 2021 | 2022F | |
| COLI | 688 HK | 21.90 | 28.20 | ADD | 31,162 | 31.3 | 30 | 29 | 5.4 | 5.6 | 5.3 | 4.9 | 0.7 | 0.6 | 0.6 | 6.3 | 6.5 | 6.8 | 31 | 31 | 25 |
| CR Land | 1109 HK | 32.65 | 48.20 | ADD | 30,431 | 52.3 | 38 | 48 | 8.2 | 7.5 | 6.8 | 6.3 | 1.0 | 0.9 | 0.8 | 4.5 | 4.9 | 5.4 | 29 | 24 | 18 |
| China Vanke - H | 2202 HK | 17.16 | 24.10 | ADD | 30,784 | 40.2 | 57 | 40 | 4.0 | 6.8 | 6.0 | 5.5 | 0.8 | 0.7 | 0.7 | 8.5 | 6.6 | 5.9 | 18 | 30 | 37 |
| China Vanke - A | 000002 CH | 18.18 | 22.50 | ADD | 30,822 | 34.2 | 47 | 24 | 5.0 | 8.4 | 7.4 | 6.9 | 0.9 | 0.9 | 0.8 | 6.9 | 5.3 | 4.7 | 18 | 30 | 37 |
| CIFI | 884 HK | 3.37 | 6.00 | ADD | 3,875 | 12.1 | 72 | 78 | 2.9 | 3.3 | 3.5 | 3.4 | 0.6 | 0.6 | 0.5 | 11.8 | 5.4 | 7.2 | 64 | 63 | 57 |
| Country Garden | 2007 HK | 4.29 | 7.90 | ADD | 12,945 | 14.4 | 70 | 84 | 2.5 | 3.0 | 3.3 | 3.3 | 0.5 | 0.4 | 0.4 | 12.2 | 8.3 | 4.9 | 56 | 45 | 44 |
| Greentown China | 3900 HK | 13.72 | 16.20 | ADD | 4,413 | 23.7 | 42 | 18 | 17.8 | 10.0 | 8.1 | 7.4 | 0.9 | 0.8 | 0.8 | 3.0 | 3.9 | 4.2 | 64 | 52 | 52 |
| Guangzhou R&F | 2777 HK | 1.99 | 3.60 | HOLD | 980 | 12.0 | 83 | 81 | 1.4 | NA | 6.5 | 4.4 | 0.1 | 0.1 | 0.1 | 57.2 | 5.9 | 0.0 | 130 | 123 | 93 |
| Longfor | 960 HK | 32.15 | 49.50 | ADD | 25,627 | 55.0 | 42 | 54 | 8.6 | 7.2 | 6.8 | 6.2 | 1.5 | 1.3 | 1.2 | 5.2 | 6.2 | 6.6 | 46 | 47 | 45 |
| Yuzhou Group | 1628 HK | 0.43 | 0.68 | HOLD | 371 | 2.3 | 81 | 58 | 3.1 | 9.7 | 4.7 | 3.3 | 0.1 | 0.1 | 0.1 | 76.0 | 11.5 | 0.0 | 86 | 94 | 90 |
| Zhongliang | 2772 HK | 1.50 | 2.50 | HOLD | 712 | 10.0 | 85 | 67 | 1.2 | 1.5 | 1.5 | 1.4 | 0.4 | 0.4 | 0.3 | 32.7 | 12.0 | 0.0 | 65 | 35 | 44 |
| Agile | 3383 HK | 2.81 | 3.30 | HOLD | 1,467 | 11.2 | 75 | 17 | 1.1 | 1.4 | 1.9 | 1.8 | 0.1 | 0.1 | 0.1 | 39.0 | 17.2 | 0.0 | 61 | 51 | 46 |
| KWG Group | 1813 HK | 2.13 | 7.10 | ADD | 884 | 14.1 | 85 | 233 | 0.9 | 1.5 | 1.3 | 1.3 | 0.1 | 0.1 | 0.1 | 51.0 | 20.3 | 7.5 | 62 | 79 | 62 |
| Logan Group | 3380 HK | 2.18 | 3.50 | ADD | 1,579 | 11.8 | 82 | 61 | 0.8 | 1.0 | 1.2 | 1.1 | 0.3 | 0.2 | 0.2 | 47.0 | 23.4 | 0.0 | 61 | 82 | 71 |
| Times China | 1233 HK | 2.22 | 4.40 | ADD | 600 | 14.5 | 85 | 98 | 0.7 | 1.1 | 1.1 | 1.1 | 0.2 | 0.2 | 0.1 | 40.4 | 4.3 | 4.7 | 68 | 79 | 56 |
| Small and mid-cap average | | | | | | | 77 | 79 | 3.3 | 3.7 | 3.3 | 2.8 | 0.3 | 0.30 | 0.26 | 39.8 | 11.6 | 2.6 | 73 | 73 | 63 |
| Overall average | | | | | | | 65 | 66 | 4.2 | 4.9 | 4.4 | 3.9 | 0.5 | 0.50 | 0.45 | 26.8 | 9.5 | 3.9 | 57 | 58 | 52 |

Share price data as of 16 June 2022; * A-share data stated in Rmb
 SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

| (Rmbm) | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|---|-----------------|-----------------|-----------------|-----------------|
| Total Net Revenues | 242,241 | 260,225 | 280,888 | 295,428 |
| Gross Profit | 57,026 | 60,632 | 66,404 | 70,420 |
| Operating EBITDA | 50,057 | 53,146 | 58,324 | 61,921 |
| Depreciation And Amortisation | 0 | 0 | 0 | 0 |
| Operating EBIT | 50,057 | 53,146 | 58,324 | 61,921 |
| Financial Income/(Expense) | 202 | 173 | 257 | 293 |
| Pretax Income/(Loss) from Assoc. | 3,686 | 4,239 | 4,875 | 5,216 |
| Non-Operating Income/(Expense) | 3,644 | 3,489 | 3,405 | 3,369 |
| Profit Before Tax (pre-EI) | 57,589 | 61,047 | 66,860 | 70,799 |
| Exceptional Items | | | | |
| Pre-tax Profit | 57,589 | 61,047 | 66,860 | 70,799 |
| Taxation | (18,303) | (19,578) | (21,694) | (23,105) |
| Exceptional Income - post-tax | | | | |
| Profit After Tax | 39,286 | 41,468 | 45,166 | 47,694 |
| Minority Interests | (2,906) | (3,051) | (3,357) | (3,524) |
| Pref. & Special Div | 0 | 0 | 0 | 0 |
| FX Gain/(Loss) - post tax | | | | |
| Other Adjustments - post-tax | | | | |
| Net Profit | 36,380 | 38,417 | 41,809 | 44,170 |
| Recurring Net Profit | 36,397 | 38,417 | 41,809 | 44,170 |
| Fully Diluted Recurring Net Profit | 36,397 | 38,417 | 41,809 | 44,170 |

Balance Sheet

| (Rmbm) | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|--------------------------------------|----------------|----------------|----------------|----------------|
| Total Cash And Equivalents | 130,956 | 145,576 | 149,922 | 153,758 |
| Properties Under Development | | | | |
| Total Debtors | 8,244 | 9,893 | 11,377 | 12,515 |
| Inventories | 464,029 | 487,231 | 511,592 | 532,056 |
| Total Other Current Assets | 45,727 | 49,178 | 52,993 | 57,212 |
| Total Current Assets | 648,957 | 691,878 | 725,885 | 755,542 |
| Fixed Assets | 171,729 | 172,281 | 172,889 | 173,557 |
| Total Investments | 0 | 0 | 0 | 0 |
| Intangible Assets | 0 | 0 | 0 | 0 |
| Total Other Non-Current Assets | 49,221 | 52,484 | 56,033 | 59,902 |
| Total Non-current Assets | 220,950 | 224,765 | 228,922 | 233,459 |
| Short-term Debt | 44,620 | 44,620 | 44,620 | 44,620 |
| Current Portion of Long-Term Debt | | | | |
| Total Creditors | 190,510 | 202,716 | 203,810 | 199,096 |
| Other Current Liabilities | 58,770 | 64,677 | 70,445 | 76,858 |
| Total Current Liabilities | 293,901 | 312,014 | 318,875 | 320,573 |
| Total Long-term Debt | 197,302 | 197,302 | 197,302 | 197,302 |
| Hybrid Debt - Debt Component | | | | |
| Total Other Non-Current Liabilities | 0 | 0 | 0 | 0 |
| Total Non-current Liabilities | 197,302 | 197,302 | 197,302 | 197,302 |
| Total Provisions | 21,598 | 23,758 | 26,133 | 28,747 |
| Total Liabilities | 512,800 | 533,073 | 542,310 | 546,622 |
| Shareholders' Equity | 343,560 | 367,992 | 394,582 | 422,672 |
| Minority Interests | 13,546 | 15,578 | 17,915 | 19,706 |
| Total Equity | 357,106 | 383,570 | 412,496 | 442,379 |

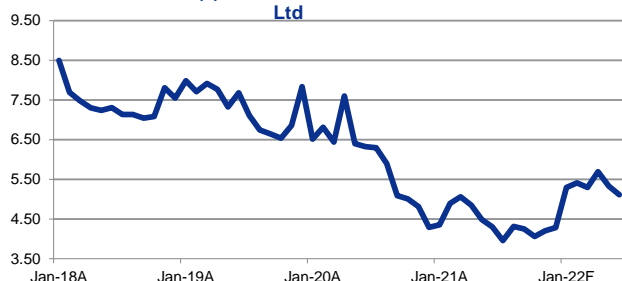
Cash Flow

| (Rmbm) | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| EBITDA | 50,057 | 53,146 | 58,324 | 61,921 |
| Cash Flow from Inv. & Assoc. | 3,686 | 4,239 | 4,875 | 5,216 |
| Change In Working Capital | (5,950) | (20,069) | (34,112) | (36,578) |
| Straight Line Adjustment | | | | |
| (Incr)/Decr in Total Provisions | | | | |
| Other Non-Cash (Income)/Expense | 378 | 386 | 394 | 401 |
| Other Operating Cashflow | 15,012 | 12,701 | 12,617 | 12,581 |
| Net Interest (Paid)/Received | (7,389) | (9,038) | (8,955) | (8,918) |
| Tax Paid | (11,447) | (12,410) | (13,430) | (14,159) |
| Cashflow From Operations | 44,347 | 28,955 | 19,713 | 20,464 |
| Capex | 0 | 0 | 0 | 0 |
| Disposals Of FAs/subsidiaries | 0 | 0 | 0 | 0 |
| Disposals of Investment Properties | | | | |
| Acq. Of Subsidiaries/investments | 0 | 0 | 0 | 0 |
| Other Investing Cashflow | (3,605) | (2,195) | (2,313) | (2,437) |
| Cash Flow From Investing | (3,605) | (2,195) | (2,313) | (2,437) |
| Debt Raised/(repaid) | (10,000) | 0 | 0 | 0 |
| Proceeds From Issue Of Shares | | | | |
| Shares Repurchased | | | | |
| Dividends Paid | (11,623) | (12,141) | (13,054) | (14,190) |
| Preferred Dividends | | | | |
| Other Financing Cashflow | 1,368 | 0 | 0 | 0 |
| Cash Flow From Financing | (20,255) | (12,141) | (13,054) | (14,190) |

Key Ratios

| | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|---------------------------|---------|---------|---------|---------|
| Revenue Growth | 30.4% | 7.4% | 7.9% | 5.2% |
| Operating EBITDA Growth | 0.77% | 6.17% | 9.74% | 6.17% |
| Operating EBITDA Margin | 20.7% | 20.4% | 20.8% | 21.0% |
| Net Cash Per Share (Rmb) | (10.14) | (8.80) | (8.41) | (8.06) |
| BVPS (Rmb) | 31.39 | 33.62 | 36.05 | 38.62 |
| Gross Interest Cover | 5.92 | 5.18 | 5.68 | 6.03 |
| Effective Tax Rate | 22.6% | 23.0% | 22.9% | 22.9% |
| Net Dividend Payout Ratio | 30.6% | 30.7% | 30.4% | 30.3% |
| Accounts Receivables Days | 15.40 | 12.72 | 13.82 | 14.80 |
| Inventory Days | 926 | 870 | 850 | 849 |
| Accounts Payables Days | 170.3 | 170.4 | 170.8 | 177.1 |
| ROIC (%) | 8.29% | 8.14% | 8.68% | 8.75% |
| ROCE (%) | 8.65% | 8.56% | 8.97% | 9.08% |
| Return On Average Assets | 5.43% | 5.43% | 5.69% | 5.81% |

12-mth Fwd FD P/E (x) - China Overseas Land & Investment Ltd



Key Drivers

| | Dec-21A | Dec-22F | Dec-23F | Dec-24F |
|---------------------------------|-----------|-----------|-----------|-----------|
| Contracted sales (Rmb m) | 369,495.0 | 381,188.7 | 397,721.5 | 407,080.1 |
| Contracted GFA (m sq m) | 18.9 | 19.5 | 20.3 | 20.8 |
| Overall gross profit margin (%) | 23.5% | 23.3% | 23.6% | 23.8% |
| SG&A expense / revenue (%) | 2.9% | 2.9% | 2.9% | 2.9% |

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

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|---|-------------------------|--------------------------------|
| 632 companies under coverage for quarter ended on 31 March 2022 | | |
| | Rating Distribution (%) | Investment Banking clients (%) |
| Add | 70.3% | 0.8% |
| Hold | 22.0% | 0.0% |
| Reduce | 7.8% | 0.2% |

Spitzer Chart for stock being researched (2 year data)

China Overseas Land & Investment Ltd (688 HK)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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- 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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40/10