



**China Overseas Land & Investment (688.HK)**

30 August 2016

**SECTOR: Real Estate**

**HSI: 22,821**

**PRICE: HK\$25.65**

<b>EARNINGS (reported in HK\$m)</b>						<b>KEY DATA</b>	
<i>For the fiscal year ended 31 Dec</i>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>	Issued Capital (m Shrs)	9,860.6
Turnover	130,957	140,131	179,840	228,962	254,517	Market Cap (HK\$m)	252,924
Operating Profit	35,319	38,098	46,593	60,160	68,807	Avg. 6M Turnover (HK\$m)	504.1
Net Profit	27,200	33,312	35,971	46,490	53,143	52 Week High/Low (HK\$)	28.25 / 20.45
Net Profit (Underlying)	21,563	25,867	35,971	46,490	53,143	Net Gearing (%)	6.62
Underlying EPS (HK\$)	2.92	2.99	3.65	4.28	4.85	Book Value per Share (HK\$)	20.76
% Change	25.7%	2.5%	22.1%	17.3%	13.4%	Free Float (%)	38.82
DPS (HK\$)	0.55	0.92	0.73	0.86	0.97	Major Shareholder(s)	CSCEC (61.18%)
Dividend yield (%)	2.1%	3.6%	2.8%	3.3%	3.8%		

<b>INTERIM RESULTS (reported in HK\$m)</b>			
<i>For the fiscal year ended 31 Dec</i>	<b>1H15</b>	<b>1H16</b>	<b>% change</b>
Turnover	61,585	74,715	21.3%
Operating Profit	23,294	28,313	21.5%
Net Profit	16,317	19,686	20.6%
Net Profit (Underlying)	13,627	15,786	15.8%
Underlying EPS (HK\$)	1.59	1.60	0.8%

*Note: Differences may arise due to rounding errors  
Time-sensitive data and value were retrieved as at 29 August 2016.*

*Source: Bloomberg, HKEx, Company data, Platinum estimates*

**SECTION 1 Positive outlook on accretive M&A**

**Shareholder approval has been obtained, though the Company is still awaiting approvals from Ministry of Finance and Ministry of Commerce, expected in August/September.**

**A distinct property developer that has two national forces joining hands.**

- The acquisition of CITIC's property portfolio includes 77 major projects (developed into varying phases), located in 25 Chinese cities. Total GFA acquired is 31.6m SqM (attributable interest of 23.5m SqM).
- The initial consideration is to be settled through the issuance of new shares to CITIC as well as an asset transfer to CITIC with no outright cash outflow involved. Including a HK\$62.8b net debt assumed by COLI, the total consideration is HK\$99.9b.
- This implies a unit cost of RMB3,548 per SqM, which also includes a portion of construction cost invested by CITIC already.
- The acquisition represents a premium of 17% over CITIC's book value but a substantial discount of 33% compared to CITIC's estimated GAV.
- Post transaction, CITIC with a state background will become the second largest shareholder of COLI, alongside CSCEC whose interest will be reduced from 61% to 55%.
  - The deal is NAV accretive despite the increase in issued share capital.
- We estimate that if COLI refinanced CITIC's debt at COLI's borrowing cost of 4% pa, it would result in a cost reduction of HK\$2.6b.
- Extra sellable resources of RMB 574b from CITIC's assets are paving the way for COLI's stronger earnings in the years ahead.