

FIG
Real Estate
Equity – China

Neutral

Target price (HKD)	21.60
Share price (HKD)	19.18
Forecast dividend yield (%)	2.8
Potential return (%)	15.3

Note: Potential return equals the percentage difference between the current share price and the target price, plus the forecast dividend yield

Performance	1M	3M	12M
Absolute (%)	-2.2	-3.6	18.1
Relative ^A (%)	-0.4	-6.5	-5.4

Index ^A	HSCEI
RIC	1109.HK
Bloomberg	1109 HK
Market cap (USDm)	16,133
Market cap (HKDm)	125,261
Enterprise value (HKDm)	166,840
Free float (%)	32

Note: (V) = volatile (please see disclosure appendix)

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China Resources Land (1109 HK)

N: Sales momentum likely to take a near-term breather

- ▶ **February sales fell 67% m-o-m. The magnitude of decline is larger than peers due to high base in January**
- ▶ **Next batch of CR City won't be launched till May/June**
- ▶ **We have a Neutral rating with TP of HKD21.6**

China Resources Land (CRL) recorded contracted sales of RMB2.54bn in February, down 67% m-o-m but up 9% y-o-y. The magnitude of decline is larger than its peers owing to the high base in January amid sales contribution of the newly acquired projects from CRH. ASP achieved during the month was RMB10,152/sqm, down 42% m-o-m mainly due to product mix change where high ASP CR City in Shenzhen had a much lower contribution to sales in February. For the first two months this year, CRL has achieved contracted sales of RMB10.2bn, up 77% y-o-y.

Taking a breather till 2H amid a back-end loaded pre-sales pipeline. While CRL started the year very strong with January sales of RMB7.68bn, or 33% above the average monthly run rate in 2014, contracted sales momentum is likely to take a breather in the coming months as the project pre-sale pipeline is back-end loaded in 2H. We also point out that the next batch of CR City in Shenzhen, a high-ASP project that has had very strong sales response since end-14, won't be available for sale until May/June, according to Soufun. This means that there won't be any heavyweight projects to drive sales momentum in the near term.

Rental portfolio enters fruition period with monthly income reaching >RMB500m. CRL completed six new malls in 2014, while there will be another seven scheduled for completion this year. With the new openings, the monthly rental income increased from RMB453/month on average in 2014 to over RMB516m/month YTD. In GFA terms, CRL's investment property portfolio is expected to grow from 3m sqm in end-14 to 4m sqm in end-15. The growing recurrent income base should further strengthen CRL's leadership position as a landlord though we would argue that competition has certainly become more intense amid a glut of new supply, particularly in the lower-tier cities.

Neutral with TP of HKD21.6, based on target discount of 30% (historical mean) to our NAV estimate of HKD30.9/sh. Key downside risks include weaker-than-expected sales or ASP and lower-than-expected margin in the upcoming results season. Key upside risks include much stronger-than-expected contracted sales and rent growth momentum.

Disclosure appendix

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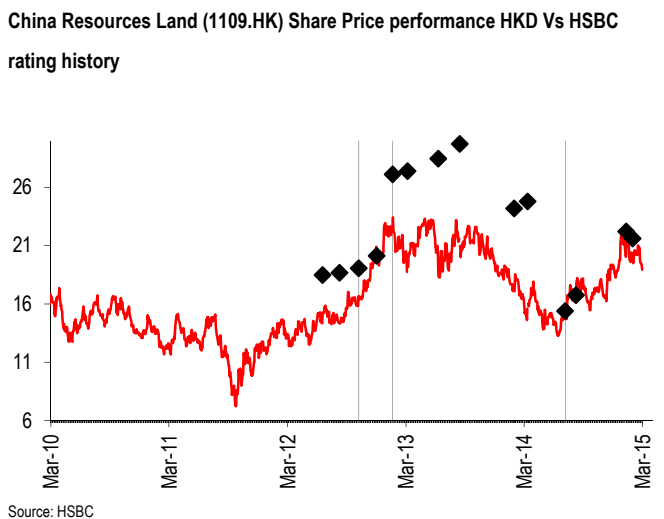
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Share price and rating changes for long-term investment opportunities



Recommendation & price target history

From	To	Date
Overweight (V)	Neutral (V)	17 October 2012
Neutral (V)	Overweight	30 January 2013
Overweight	Neutral	16 July 2014
Target Price	Value	Date
Price 1	18.48	28 June 2012
Price 2	18.67	19 August 2012
Price 3	19.06	17 October 2012
Price 4	20.12	12 December 2012
Price 5	27.09	30 January 2013
Price 6	27.38	17 March 2013
Price 7	28.44	20 June 2013
Price 8	29.70	25 August 2013
Price 9	24.18	09 February 2014
Price 10	24.76	23 March 2014
Price 11	15.38	16 July 2014
Price 12	16.74	19 August 2014
Price 13	22.20	21 January 2015
Price 14	21.60	09 February 2015

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
CHINA RESOURCES LAND	1109.HK	19.18	12-Mar-2015	1, 4, 5, 6, 7

Source: HSBC

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