

China Resources Land

Results in line & gross margins up 2.4ppt YoY

Core earnings in line & final dividend up 13% YoY

China Resources Land (CRL) reported its core earnings of HK\$11.8bn, up 25% YoY, or EPS of HK\$2.02. Results came to be higher than consensus/UBSe by 2%/3%, respectively. Earnings increase is related to higher ASP & margins. The company lifted its final DPS by 13% YoY to HK\$0.41 and full year DPS of HK\$0.495 represents an unchanged payout of 27%, same as last year.

Development gross margins rose to 29.3% (+3.2ppt) but trend to soften in 2015

CRL's development property gross margins up 3.2ppt YoY to 29.3% in FY14 is attributed to the change in sales mix and better cost control. In fact, the margins improvement is a stand-out among peers. We expect CRL's 2015 gross margins could drop to 28%, due to discounts offered in the 2014 launches and the expected booking of lower margins for the completed projects. For rental earnings, CRL delivered 11% YoY organic growth (after excl. the new contribution). Even though the growth trend has slowed, its growth trend is still better than peers under the backdrop of weaker consumption trend.

End-2014 gearing at below forecast of 42.7% but to rise in 2015

The company's end-2014 net gearing reported at 42.7%, 5ppt below our forecast. The beat is related to better than expected cash receipt ratio of 92%. Based on CRL's budgeted cashflow, we expect its 2015 net gearings rising to 48%. The increased cash outflow is mainly to capture the increased construction capex for property developed for sale and for leasing.

Valuation: Currently trading at 2015E 9.6xPER

We reiterate Buy on CR Land with a slightly higher target PT of HK\$26.25, based on an unchanged 2015E PER of 12x. We still favour CRL for the company's better development margins than peers, even after factored in the potential softening of 2015 margins. Also, we consider the established rental portfolio, targeting the broad consumption segment, should still help mitigate the more volatile development earnings.

Equities

China
Real Estate

12-month rating **Buy**

12m price target **HK\$26.25**
Prior: HK\$26.14

Price **HK\$21.00**

RIC: 1109.HK **BBG:** 1109 HK

Trading data and key metrics

52-wk range	HK\$22.95-13.72
Market cap.	HK\$122bn/US\$15.8bn
Shares o/s	5,831m (ORD)
Free float	32%
Avg. daily volume ('000)	12,756
Avg. daily value (m)	HK\$262.9
Common s/h equity (12/15E)	HK\$120bn
P/BV (12/15E)	1.1x
Net debt / EBITDA (12/15E)	2.0x

EPS (UBS, diluted) (HK\$)

	From	To	% ch	Cons.
12/15E	2.18	2.19	0.43	2.19
12/16E	2.29	2.24	-2.24	2.55
12/17E	2.31	2.33	1.12	2.73

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Highlights (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	44,364	71,389	88,381	129,250	139,532	141,282	126,725	31,413
EBIT (UBS)	13,750	16,913	21,901	30,328	30,711	31,140	30,553	9,388
Net earnings (UBS)	7,249	9,444	10,456	14,267	14,650	15,238	16,860	4,675
EPS (UBS, diluted) (HK\$)	1.25	1.62	1.79	2.19	2.24	2.33	2.58	0.72
DPS (HK\$)	0.34	0.44	0.50	0.55	0.56	0.58	0.65	0.18
Net (debt) / cash	(30,950)	(36,662)	(44,445)	(60,291)	(71,678)	(50,058)	(50,476)	(67,760)
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	31.0	23.7	24.8	23.5	22.0	22.0	24.1	29.9
ROIC (EBIT) %	19.4	26.3	31.5	32.9	24.6	23.3	22.2	6.0
EV/EBITDA (core) x	6.4	6.2	3.2	3.5	4.0	3.8	3.6	12.4
P/E (UBS, diluted) x	12.6	13.5	9.6	9.6	9.4	9.0	8.1	29.3
Equity FCF (UBS) yield %	10.2	5.3	(0.3)	(20.0)	(6.3)	20.8	3.1	(13.2)
Net dividend yield %	2.1	2.0	2.9	2.6	2.7	2.8	3.1	0.9

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$21.00 on 23 Mar 2015 22:27 HKT

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Investment Thesis

China Resources Land

Investment case

China Resources Land's 2015/16 margins are dampened by increasing exposure in tier 3 cities or cities with oversupply. However, we believe its potential asset injection could help lift the company's margin and asset turnover. Also, we believe its rental business should provide a steady rental earnings stream that could mitigate potential earnings volatility. For its property investment business, CRL has outperformed peers in securing high occupancy even in new malls, despite facing a higher supply of new malls in the market.

Upside scenario

CR Land's earnings, stronger than expected retail sales and better property sales momentum could boost its share price. If retail rents increase a further 5% and property sales volume rises an additional 5%, upside valuation could be HK\$31.0/share.

Downside scenario

A further slowdown in retail sales would impact CR Land's retail rental portfolio. A decline in property sales would also impact our valuation of the stock. However, with its state-owned enterprise background, we expect CR Land to benefit from stronger state support that would help mitigate the impact of any potential economic slowdown. A weaker macroeconomic scenario could cause valuation to decline to HK\$21.4/share.

Upcoming catalysts

Key catalysts include occupancy rates and rental income of its new malls that opened in 2015, as well as ASP and momentum of its contracted sales.

12-month rating

Buy

12m price target

HK\$26.25

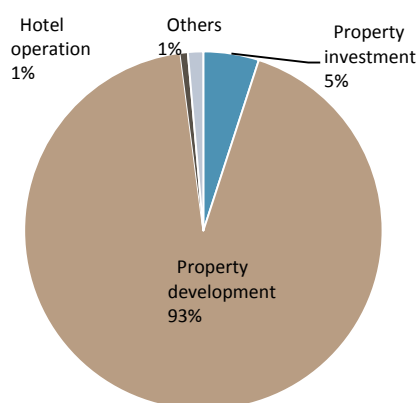
Business description

China Resources Land (CRL) is a subsidiary of China Resource (Holdings) Co., Limited (CRH), a state-owned enterprise. CRL develops mid-range to high-end residential property; commercial property including hotels, offices and shopping malls; and serviced apartments. CRL's controlling shareholder is China Resources National Corporation, which owns a 68% stake.

Industry outlook

We believe property policy will be supportive in the medium term. Improved liquidity conditions will also help lift residential volume. That said, we think pricing pressure remains, as the sector is still overshadowed by high inventory levels. While the retail sector is also facing oversupply challenges, there are not a lot of quality operators in China. We believe strong operators, such as CR Land, should still be able outperform peers and expand market share in the medium term.

2015E revenues by segment (%)



Source: UBS estimates

EBIT by product segment

	2013	2014	2015E	2016E	2017E
Property investment	2,016	2,162	2,383	2,768	2,768
Property development	14,682	20,606	27,718	27,647	27,647
Hotel operations	(93)	(158)	(4)	26	26
Others	308	398	231	270	278
EBIT	16,913	23,007	30,328	30,711	30,719

Source: Company data, UBS estimates

2015 contracted sales set to grow 13% YoY to Rmb78bn

CR Land set its 2015 contracted sales to be Rmb78bn that represented ~13% YoY growth against that of 2014 achieved sales of Rmb69.2bn. Comparing with the planned saleable resources, the 2015 sell-through ratio will be 48.8% based on its achieved contracted sales. It is slightly lower than the actual achieved sell-through rate of ~49.4%. We considered that the company intends to keep its 2015 contracted sales prudent given the weakened market sentiment.

We think CRL needs to clear its completed but unsold inventory of HK\$33.5bn, amounted to 10% of its gross assets as of end 2014. It has increased from the level of 8.5% of gross assets at end 2013. We believe the clearance of such completed stock will potentially drag its development margins in 2015.

Rental revenue on the uptrend but margins to be under pressure

CR Land delivered 18% YoY in 2014 rental revenue but only 12% YoY growth in rental gross profit, mainly due to relatively lower margins of 61.9% (down 2.7ppt YoY). The lower rental margin is related to the initial operating expenses incurred on the newly opened malls. We expect the company's rental margins will remain under pressure since they plan to open six new commercial complex, comprising of 1.6m sqm of commercial GFA. It represented an expansion of 47% of existing portfolio in the scale of GFA. That said, we expect the company can deliver 10% YoY in revenue due to new addition and moderate organic growth.

Figure 1: Key guidance

		2015 Guidance	2014 achieved	Note
Contracted sales target	Rmb bn	78.0	69.2	
Target sales split (1H/2H)	%	36%/64%	37%/63%	
Saleable resources	Rmb bn	160.0	140.0	
New start	m sqm	14.2	10.5	
Unbooked contracted sales locked-in	Rmb bn	73.0*	73.2	*Rmb53.3bn to be recognized in 2014
Cashflow				
..Cash collection from contracted sales and rental income	Rmb bn	81.0	68.1	
..Construction capex	Rmb bn	41.0	24.4	
..land capex	Rmb bn	25.9	30.6	
..SG & A				
..Tax expense	Rmb bn	23.6	18.8	
..Interest expense				
Target/Achieved gross margin		28.1%*	30.6%	*2015E is based on UBS forecast
Gearing		48%	43%	*2015E is based on UBS forecast
Outstanding Land premium brought forward	Rmb bn	12.7	N/A	

Source: Company data, UBS

Budgeted for negative operating cashflow in FY2015

CR Land is expected to stay in negative operating cashflow in FY2015 and the level of budgeted negative cashflow could expand to Rmb 9.5b (from Rmb5.7bn in FY2014). The key increase is mainly related to the increase in construction capex of Rmb41bn (up 68% YoY). The company plans to complete 1.6m sqm of commercial properties in 2015 (125% increase from 2014 completion) and to complete ~10.8m sqm of development properties (54% YoY increase over the 2014 planned delivery). Hence, we project the company's net gearing could increase to 48% at end-2015 from 42.7% as of end-2014.

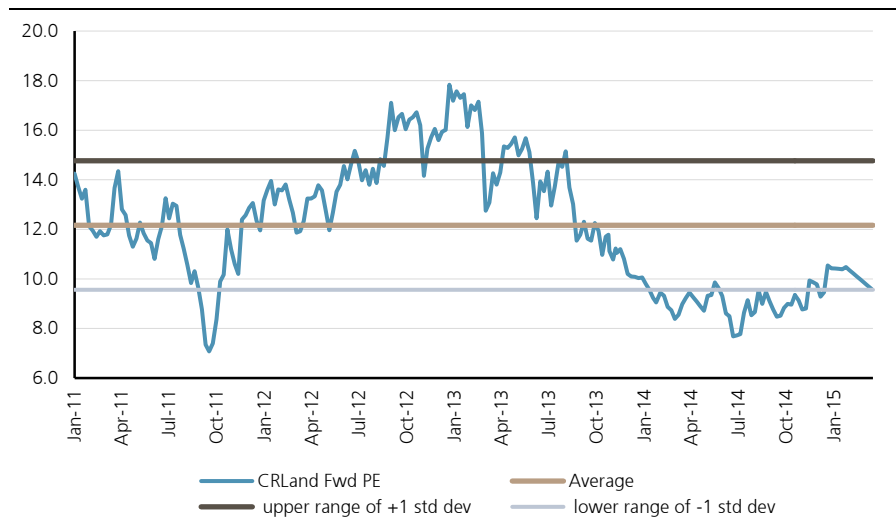
Figure 2: 2014 results analysis

	FY14A (HK\$ m)	FY14F (HK\$ m)	FY13A (HK\$ m)	Act v F/Cast (%)	YoY (%)
Property investment & management	4,627	5,560	3,960	-17%	17%
Property development	80,482	82,886	64,818	-3%	24%
Hotel operation	810	700	662	16%	22%
Others	2,463	1,507	1,949	63%	26%
Total turnover	88,381	90,653	71,389	-3%	24%
Gross margin	30.6%	31.0%	28.2%	-0.4ppt	2.4ppt
Property investment/mgmt	2,162	2,616	2,106	-17%	3%
Property development	20,606	19,986	14,682	3%	40%
Construction & decoration	(111)	2	(87)	-5484%	27%
Hotel operations	(158)	135	(93)	-217%	69%
Others (share of corporate overheads & etc)	509	391	306	30%	66%
Total operating profit	23,007	23,130	16,913	-1%	36%
Operating margin	26.0%	25.5%	23.7%	0.5ppt	2.3ppt
Net interest expense \ (income)	799	851	146	-6%	448%
Associates	58	88	310	-34%	-81%
Exceptional item	2,906	0	5,252		
Pre-tax profit	25,172	22,367	22,329	13%	13%
Taxation - Co. & subsidiaries	(4,884)	(5,267)	(4,452)	-7%	10%
Land appreciation tax	(4,247)	(3,712)	(2,690)	14%	58%
Total taxation	(9,131)	(8,979)	(7,142)	2%	28%
Profit after-tax before minority interests	16,041	13,388	15,187	20%	6%
Minority interest	(1,332)	(1,915)	(491)	-30%	171%
Net profit	14,708	11,473	14,696	28%	0%
Recurring profit	11,802	11,473	9,444	3%	25%
Net margin	13.4%	12.7%	13.2%	0.7ppt	0.1ppt
EPS(HK\$)	2.52	1.97	2.52	28%	0%
Recurring EPS(HK\$)	2.02	1.97	1.62	3%	25%
DPS (HK\$)- Full year	0.50	0.49	0.44	1%	13%
DPS (HK\$) - Interim	0.09	0.09	0.07	0%	16%
DPS (HK\$) - Final	0.41	0.41	0.36	1%	13%
Effective payout ratio *	27%	25%	27%		

Source: Company data, UBS estimates

* The payout ratio is based on actual dividend payout divided by core earnings

Figure 3: CR Land historical forward PER chart



Source: Datastream, UBS estimates

Figure 4: CR Land's NAV breakdown

	NAV		NAV/share (HK\$)	% of pre- debt NAV
	(RMBmn)	(HK\$m)		
Development property				
Residential	68,878	86,431	13.2	34.1%
Luxury residential	35,494	44,539	6.8	17.6%
Retail	978	1,227	0.2	0.5%
Office	743	933	0.1	0.4%
Other	10,156	12,744	2.0	5.0%
Development property sub-total	116,249	145,874	22.3	
Investment property in PRC				
Hotel	5,137	6,446	1.0	2.5%
Retail	73,009	91,615	14.0	36.2%
Office	10,854	13,620	2.1	5.4%
Other	1,099	1,379	0.2	0.5%
Investment property sub-total	90,099	113,059	17.3	
Cash payment for injection	(4,477)	(5,618)	(0.9)	
Net bank borrowing	(35,419)	(44,445)	(6.8)	
Outstanding LAT	(3,551)	(4,456)	(0.7)	
Net asset value (HK\$m)	162,900	204,414	31.30	

Source: UBS estimates

China Resources Land (1109.HK)

Income statement (HK\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Revenues	44,364	71,389	88,381	129,250	46.2	139,532	8.0	141,282	126,725	31,413
Gross profit	17,461	20,107	27,044	36,297	34.2	37,154	2.4	36,958	35,771	10,682
EBITDA (UBS)	14,082	17,282	22,343	30,770	37.7	31,152	1.2	31,581	30,994	9,830
Depreciation & amortisation	(332)	(368)	(441)	(441)	0.0	(441)	0.0	(441)	(441)	(441)
EBIT (UBS)	13,750	16,913	21,901	30,328	38.5	30,711	1.3	31,140	30,553	9,388
Associates & investment income	414	310	58	36	-37.9	619	NM	1,116	2,380	319
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(670)	(146)	(1,040)	(826)	20.5	(649)	21.5	(633)	(843)	(1,164)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	13,494	17,077	20,919	29,538	41.2	30,681	3.9	31,624	32,089	8,544
Tax	(5,617)	(7,142)	(9,131)	(13,401)	-46.8	(13,984)	-4.3	(13,939)	(14,107)	(3,544)
Profit after tax	7,878	9,935	11,788	16,136	36.9	16,697	3.5	17,685	17,982	5,000
Preference dividends and Minorities	(628)	(491)	(1,332)	(1,870)	-40.3	(2,048)	-9.5	(2,447)	(1,121)	(325)
Extraordinary items	3,320	5,252	2,906	0	-	0	-	0	0	0
Net earnings (local GAAP)	10,569	14,696	13,362	14,267	6.8	14,650	2.7	15,238	16,860	4,675
Net earnings (UBS)	7,249	9,444	10,456	14,267	36.4	14,650	2.7	15,238	16,860	4,675
Tax rate (%)	41.6	41.8	43.6	45.4	3.9	45.6	0.5	44.1	44.0	41.5
Per share (HK\$)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS, diluted)	1.25	1.62	1.79	2.19	22.1	2.24	2.5	2.33	2.58	0.72
EPS (local GAAP, diluted)	1.82	2.52	2.29	2.19	-4.5	2.24	2.5	2.33	2.58	0.72
EPS (UBS, basic)	1.25	1.62	1.79	2.19	22.0	2.24	2.5	2.33	2.58	0.72
Net DPS (HK\$)	0.34	0.44	0.50	0.55	10.5	0.56	2.5	0.58	0.65	0.18
Book value per share	11.86	14.54	16.56	18.30	10.5	19.98	9.2	21.73	23.67	24.20
Average shares (diluted)	5,818.62	5,827.40	5,835.69	6,521.23	11.7	6,530.81	0.1	6,530.81	6,530.81	6,530.81
Balance sheet (HK\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Cash and equivalents	21,953	28,239	40,289	25,185	-37.5	23,862	-5.3	40,584	33,774	23,640
Other current assets	152,159	180,240	199,319	238,895	19.9	261,279	9.4	251,167	261,743	277,092
Total current assets	174,112	208,478	239,609	264,079	10.2	285,141	8.0	291,752	295,518	300,731
Net tangible fixed assets	4,971	5,882	6,939	6,939	0.0	6,939	0.0	6,939	6,939	6,939
Net intangible fixed assets	0	0	0	0	-	0	-	0	0	0
Investments / other assets	49,172	67,397	83,767	85,214	1.7	87,448	2.6	89,890	93,168	94,880
Total assets	228,256	281,757	330,315	356,233	7.8	379,528	6.5	388,581	395,625	402,550
Trade payables & other ST liabilities	93,664	115,504	127,405	127,767	0.3	127,963	0.2	128,038	127,708	123,653
Short term debt	5,283	16,256	19,414	9,871	-49.15	9,795	-0.78	12,785	15,702	18,299
Total current liabilities	98,947	131,760	146,820	137,638	-6.3	137,758	0.1	140,823	143,410	141,952
Long term debt	47,620	48,645	65,320	75,604	15.7	85,745	13.4	77,858	68,548	73,100
Other long term liabilities	5,189	7,765	11,054	11,054	0.0	11,054	0.0	11,054	11,054	11,054
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	151,756	188,170	223,194	224,297	0.5	234,558	4.6	229,735	223,012	226,106
Common s/h equity	69,109	84,802	96,561	119,506	23.8	130,493	9.2	141,921	154,567	158,073
Minority interests	7,391	8,785	10,560	12,430	17.7	14,478	16.5	16,925	18,046	18,371
Total liabilities & equity	228,256	281,757	330,315	356,233	7.8	379,528	6.5	388,581	395,625	402,550
Cash flow (HK\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Net income (before pref divs)	10,569	14,696	13,362	14,267	6.8	14,650	2.7	15,238	16,860	4,675
Depreciation & amortisation	332	368	441	441	0.0	441	0.0	441	441	441
Net change in working capital	7,279	7,467	(11,910)	(22,924)	-92.5	(2,334)	89.8	30,163	9,475	4,703
Other operating	(3,178)	(5,607)	(2,168)	292	-	(482)	-	(413)	(2,979)	(5,934)
Operating cash flow	15,002	16,925	(274)	(7,924)	NM	12,275	-	45,429	23,797	3,885
Tangible capital expenditure	(5,750)	(10,137)	0	(16,600)	-	(20,000)	-20.5	(20,000)	(20,000)	(20,000)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	0	0	0	0	-	0	-	0	0	0
Other investing	5,312	(9,676)	0	0	-	0	-	0	0	0
Investing cash flow	(437)	(19,813)	0	(16,600)	-	(20,000)	-20.5	(20,000)	(20,000)	(20,000)
Equity dividends paid	(1,503)	(2,016)	(2,886)	(3,572)	-23.7	(3,662)	-2.5	(3,809)	(4,215)	(1,169)
Share issues / (buybacks)	0	0	0	12,600	-	0	-	0	0	0
Other financing	3,073	1,488	(1,175)	(349)	70.31	0	-	0	0	0
Change in debt & pref shares	(6,008)	13,486	19,833	13,341	-32.73	10,064	-24.56	(4,897)	(6,392)	7,149
Financing cash flow	(4,438)	12,958	15,771	22,020	39.6	6,402	-70.9	(8,707)	(10,607)	5,980
Cash flow inc/(dec) in cash	10,126	10,070	15,498	(2,504)	-	(1,323)	47.2	16,722	(6,810)	(10,135)
FX / non cash items	(3,965)	(3,784)	(3,447)	(12,600)	-265.5	0	-	0	0	0
Balance sheet inc/(dec) in cash	6,161	6,286	12,050	(15,104)	-	(1,323)	91.2	16,722	(6,810)	(10,135)

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

China Resources Land (1109.HK)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	8.6	8.7	7.5	9.6	9.4	9.0	8.1	29.3
P/E (UBS, diluted)	12.6	13.5	9.6	9.6	9.4	9.0	8.1	29.3
P/CEPS	12.0	13.0	9.2	9.3	9.1	8.7	7.9	26.8
Equity FCF (UBS) yield %	10.2	5.3	(0.3)	(20.0)	(6.3)	20.8	3.1	(13.2)
Net dividend yield (%)	2.1	2.0	2.9	2.6	2.7	2.8	3.1	0.9
P/BV x	1.3	1.5	1.0	1.1	1.1	1.0	0.9	0.9
EV/revenues (core)	2.0	1.5	0.8	0.8	0.9	0.9	0.9	3.9
EV/EBITDA (core)	6.4	6.2	3.2	3.5	4.0	3.8	3.6	12.4
EV/EBIT (core)	6.6	6.3	3.3	3.5	4.0	3.9	3.7	13.0
EV/OpFCF (core)	6.6	6.3	3.3	3.5	4.0	3.9	3.7	13.0
EV/op. invested capital	1.3	1.7	1.0	1.2	1.0	0.9	0.8	0.8
Enterprise value (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	91,057	127,221	100,583	122,456	122,456	122,456	122,456	122,456
Net debt (cash)	38,571	33,806	40,554	52,368	65,984	60,868	50,267	59,118
Buy out of minorities	7,391	8,785	10,560	12,430	14,478	16,925	18,046	18,371
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	137,019	169,812	151,697	187,253	202,918	200,249	190,769	199,944
Non core assets	(46,710)	(62,532)	(80,034)	(79,593)	(79,151)	(78,710)	(78,269)	(77,827)
Core enterprise value	90,309	107,279	71,663	107,661	123,766	121,539	112,500	122,117
Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	23.9	60.9	23.8	46.2	8.0	1.3	-10.3	-75.2
EBITDA (UBS)	16.6	22.7	29.3	37.7	1.2	1.4	-1.9	-68.3
EBIT (UBS)	16.9	23.0	29.5	38.5	1.3	1.4	-1.9	-69.3
EPS (UBS, diluted)	21.3	30.1	10.6	22.1	2.5	4.0	10.7	-72.3
Net DPS	28.7	30.1	13.3	10.5	2.5	4.0	10.7	-72.3
Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	39.4	28.2	30.6	28.1	26.6	26.2	28.2	34.0
EBITDA margin	31.7	24.2	25.3	23.8	22.3	22.4	24.5	31.3
EBIT margin	31.0	23.7	24.8	23.5	22.0	22.0	24.1	29.9
Net earnings (UBS) margin	16.3	13.2	11.8	11.0	10.5	10.8	13.3	14.9
ROIC (EBIT)	19.4	26.3	31.5	32.9	24.6	23.3	22.2	6.0
ROIC post tax	11.1	15.1	17.7	18.0	13.1	12.6	11.7	3.4
ROE (UBS)	11.2	12.3	11.5	13.2	11.7	11.2	11.4	3.0
Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	2.2	2.1	2.0	2.0	2.3	1.6	1.6	6.9
Net debt / total equity %	40.5	39.2	41.5	45.7	49.4	31.5	29.2	38.4
Net debt / (net debt + total equity) %	28.8	28.1	29.3	31.4	33.1	24.0	22.6	27.7
Net debt/EV %	34.3	34.2	62.0	56.0	57.9	41.2	44.9	55.5
Capex / depreciation %	NM	NM	0.0	NM	NM	NM	NM	NM
Capex / revenue %	13.0	14.2	0.0	12.8	14.3	14.2	15.8	NM
EBIT / net interest	20.5	NM	21.1	36.7	47.3	49.2	36.2	8.1
Dividend cover (UBS)	3.7	3.7	3.6	4.0	4.0	4.0	4.0	4.0
Div. payout ratio (UBS) %	26.9	27.0	27.6	25.0	25.0	25.0	25.0	25.0
Revenues by division (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	44,364	71,389	88,381	129,250	139,532	141,282	126,725	31,413
Total	44,364	71,389	88,381	129,250	139,532	141,282	126,725	31,413
EBIT (UBS) by division (HK\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	13,750	16,913	21,901	30,328	30,711	31,140	30,553	9,388
Total	13,750	16,913	21,901	30,328	30,711	31,140	30,553	9,388

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+25.0%
Forecast dividend yield	2.6%
Forecast stock return	+27.6%
Market return assumption	9.3%
Forecast excess return	+18.3%

Statement of Risk

Key risks related to China property are: 1) government administrative policies to restrict demand and mortgage lending; 2) tight financing for China developers; and 3) a hard landing of China's economy. CRL could also suffer from earnings dilution from a potential asset injection.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS AG Hong Kong Branch: Eva Lee, CFA; Eugene Cheung, CFA; Summer Xia, CFA.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
China Resources Land ^{4, 16}	1109.HK	Buy	N/A	HK\$21.00	23 Mar 2015

Source: UBS. All prices as of local market close.

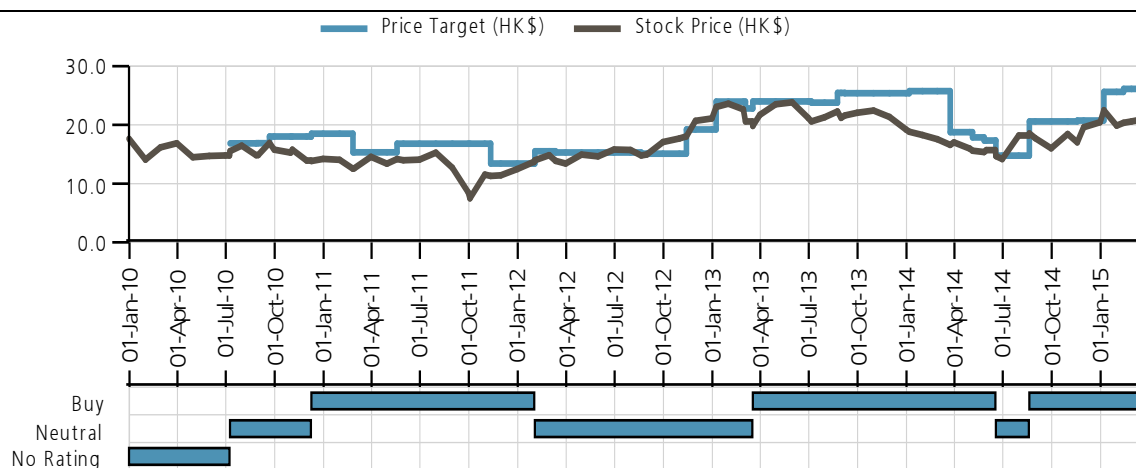
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China Resources Land (HK\$)



Source: UBS, as of 23 Mar 2015

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