

China Resources Land Ltd ----- Maintain **OUTPERFORM**

Which is more important: Shenzhen new launch or upcoming malls?

EPS: ◀▶ TP: ▶▶

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- We understand from CR Land's management that the high-profile Shenzhen CR City's (i.e., Dachong project) new phase is scheduled to be launched on 20 June 2015, with ASP likely to exceed the Rmb55k/sq m the company originally guided for (or 28% higher than that of Phase I in October 2014), after a month's delay for getting pre-sales permits.
- Although CR Land is a major developer in Shenzhen, the city's housing projects only contribute to 11% of CR Land's GAV. Therefore, although the higher ASP should directionally benefit CR Land, we continue to believe that the operational metrics of CR Land's upcoming malls should be a bigger swing factor for its NAV and therefore a major driver of its share price.
- We also attended CR Land's recent tour of its newly opened malls, and our takeaways are mixed – Shanghai Hi5 is doing well but the MIXc shopping malls in both Wuxi and Qingdao have around 20% vacancy rate.
- The pre-leasing for its upcoming malls seems to be doing well, as detailed below – a potentially catalyst, in our view.

malls should be a bigger swing factor for its NAV and, therefore, a major driver of its share price.

Figure 1: The location of Shenzhen CR City (Dachong project)



Source: Google map, Credit Suisse Research.

Figure 2: Shenzhen CR City may fetch higher ASP than expected

| | | | |
|------------------------------------|-----------|----------|----------|
| Total GFA (Sq m) | 2,321,888 | | |
| GFA of residential property (Sq m) | 1,381,599 | | |
| Launch date | Oct 2014 | Nov 2014 | Jun 2015 |
| Saleable resource (Unit) | 1,000 | 400 | 1,000 |
| ASP (Rmb/sq m) | 43,000 | 47,500 | >55,000 |

Source: Company data.

Mixed takeaway from recent mall visits – upcoming pipeline the key for CR Land's share price

We also attended CR Land's recent tour of its newly opened malls, and our takeaways are mixed – Shanghai Hi5 is doing well but the MIXc shopping malls at both Wuxi and Qingdao have around 20% vacancy rate.

Figure 3: The key metrics for CR Land's recently opened malls

| | Shanghai Hi5 | Wuxi MIXc | Qingdao MIXc | Zibo Mixc One |
|-----------------------|--------------|-------------|--------------|---------------|
| Opening date | 25 Oct 2014 | 20 Dec 2014 | 30 Apr 2015 | 27 May 2015 |
| Occupancy rate | 100% | 78% | 83% | 87% |
| Rent (Rmb/sq m/month) | 120 | 73 | 99 | 132 |
| Total GFA (Sq m) | 26,078 | 192,000 | 421,145 | 271,161 |
| Leasable GFA (Sq m) | 16,236 | 80,500 | 164,255 | 94,444 |

Source: Company data.

Figure 4: Current pre-leasing status for CR Land's upcoming malls – improving signs

| | Expected opening date | GFA (sqm) | GLA (Sqm) | Pre-leasing status (as % of total GFA) | | |
|-------------------|-----------------------|-----------|-----------|--|------------|-------|
| | | | | Subscribed | Contracted | Total |
| Ganzhou Mixc | Sept 2015 | 216,833 | 92,734 | 19% | 81% | 100% |
| Hefei Mixc | Sept 2015 | 329,400 | 108,000 | 25% | 71% | 96% |
| Shenyang Mixc One | Sept 2015 | 291,449 | 85,163 | 41% | 59% | 100% |
| Changsha Mixc One | Nov 2015 | 68,329 | 36,020 | 12% | 87% | 100% |

Source: Company data.

If the upcoming malls can obtain better results, we expect CR Land's share price to react positively.

| | | | | | |
|-----------------------------------|-----------------------|-------------------------|---------------|---------|---------|
| Bbg/RIC | 1109 HK / 1109.HK | Price (18 Jun 15, HK\$) | 25.00 | | |
| Rating (prev. rating) | O (O) | TP (prev. TP HK\$) | 29.70 (29.70) | | |
| Shares outstanding (mn) | 6,930.94 | Est. pot. % chg. to TP | 19 | | |
| Daily trad vol - 6m avg (mn) | 19.25 | 52-wk range (HK\$) | 28.3 - 13.3 | | |
| Daily trad val - 6m avg (US\$ mn) | 58.1 | Mkt cap (HK\$/US\$ bn) | 173.3/ 22.4 | | |
| Free float (%) | 34.6 | Performance | 1M | 3M | 12M |
| Major shareholders | China Resources Group | Absolute (%) | 0.4 | 22.9 | 76.0 |
| | | Relative (%) | 7.6 | 13.8 | 52.8 |
| Year | 12/13A | 12/14A | 12/15E | 12/16E | 12/17E |
| Revenue (HK\$ mn) | 71,389 | 88,381 | 119,436 | 140,992 | 149,455 |
| EBITDA (HK\$ mn) | 16,913 | 23,007 | 30,423 | 35,901 | 38,197 |
| Net profit (HK\$ mn) | 9,444 | 11,802 | 15,976 | 19,269 | 20,386 |
| EPS (HK\$) | 1.62 | 2.02 | 2.30 | 2.78 | 2.94 |
| - Change from prev. EPS (%) | n.a. | n.a. | 0 | 0 | 0 |
| - Consensus EPS (HK\$) | n.a. | n.a. | 2.18 | 2.50 | 2.63 |
| EPS growth (%) | 29.9 | 25.0 | 13.9 | 20.6 | 5.8 |
| P/E (x) | 15.4 | 12.4 | 10.9 | 9.0 | 8.5 |
| Dividend yield (%) | 1.7 | 2.0 | 2.5 | 3.0 | 3.2 |
| EV/EBITDA (x) | 12.4 | 9.5 | 7.7 | 6.5 | 6.2 |
| P/B (x) | 1.7 | 1.5 | 1.4 | 1.2 | 1.1 |
| ROE (%) | 12.3 | 13.0 | 14.3 | 14.3 | 13.6 |
| Net debt(cash)/equity (%) | 39.2 | 41.5 | 43.7 | 39.2 | 37.3 |

Note 1: ORD/ADR=10.00. Note 2: China Resources Land Limited is an investment holding company. Through its subsidiaries, the company is engaged in property development, investment and management, and construction and decoration services.

[Click here](#) for detailed financials

Directionally positive Shenzhen launches, but little impact to NAV

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Companies Mentioned (Price as of 18-Jun-2015)

China Resources Land Ltd (1109.HK, HK\$25.0, OUTPERFORM, TP HK\$29.7)

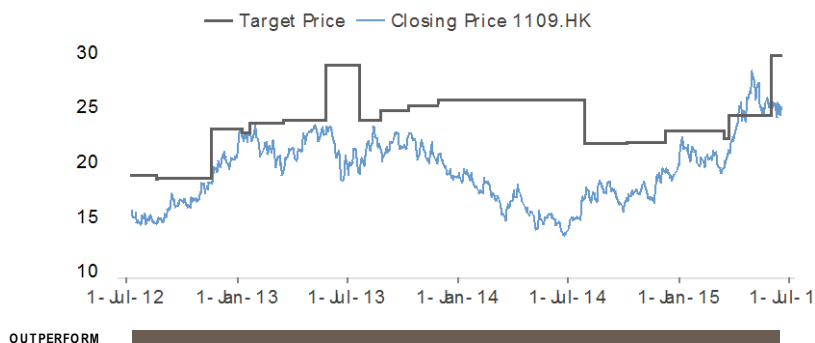
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3-Year Price and Rating History for China Resources Land Ltd (1109.HK)

| 1109.HK | Closing Price | Target Price | Rating |
|-----------|---------------|--------------|--------|
| Date | (HK\$) | (HK\$) | |
| 18-Jun-12 | 15.23 | 18.38 | O |
| 10-Jul-12 | 15.50 | 18.77 | |
| 20-Aug-12 | 14.32 | 18.38 | |
| 22-Aug-12 | 14.43 | 18.48 | |
| 19-Nov-12 | 18.11 | 23.02 | |
| 09-Jan-13 | 22.30 | 22.64 | |
| 21-Jan-13 | 22.44 | 23.51 | |
| 18-Mar-13 | 19.17 | 23.80 | |
| 27-May-13 | 22.49 | 28.83 | |
| 22-Jul-13 | 18.88 | 23.80 | |
| 25-Aug-13 | 21.57 | 24.67 | |
| 10-Oct-13 | 22.25 | 25.15 | |
| 28-Nov-13 | 20.36 | 25.64 | |
| 28-Jul-14 | 16.64 | 21.67 | |
| 06-Oct-14 | 16.66 | 21.77 | |
| 09-Dec-14 | 19.25 | 22.80 | |
| 16-Mar-15 | 19.52 | 22.10 | |
| 23-Mar-15 | 21.00 | 24.20 | |
| 01-Jun-15 | 25.50 | 29.70 | |



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Method: Our 12-month target price of HK\$29.70 for China Resources Land (CRL) is set at a 15% discount to our 12-month forward NAV estimate including the assumption of an asset injection by its parent holding company. CRL is one of the few Chinese property companies that has a sizeable exposure in investment properties and a proven track record in managing commercial assets, making it the prime beneficiary of yield compression. Thus, we believe it deserves to trade at a relatively low discount.

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