China Resources Land (1109 HK)

Takeaways From Channel Checks And 1H26 Results Preview

BUY (Maintained)	
Share Price	HK$34.62
Target Price	HK$39.60
Upside	14.4%
Previous TP	HK$42.40

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Highlights

- We expect notably lower profit contribution from the DP segment. We forecast around a 30% yoy decline in DP revenue and over 5ppt yoy contraction in DP gross margin in 1H26, partly due to a higher inventory provision.
- CR Mixc malls continue to outperform. Recurring income grew 7.6% yoy in 1H26, with rental income up 12.6% yoy, with high teens tenant sales growth and high single-digit SSSG. Gains from the Chengdu Mixc REIT listing should help keep core net profit and DPS stable.
- We cut our 2026/27/28 core net profit forecasts by 12.7%/12.7%/14.8% respectively, reflecting more conservative DP revenue and gross margin assumptions. Reiterate BUY with a lower target price of HK$39.60.

Analysis

- We had a channel check on CR Land on 16 July. Our key takeaways are:
  a) **Expect notably lower profit contribution from DP segment**. Despite the industry downturn, CR Land's development properties (DP) segment has been reporting resilient top-line growth during 2023-25. However, for 2026, we expect DP revenue to decline from the high base in 2025. For 1H26, we forecast around a 30% yoy reduction in DP revenue, and over 5ppt yoy reduction in DP gross profit margin from 15.6% in 1H25, partly due to higher inventory provision of over Rmb2b (vs Rmb1.55b in 1H25) and continued downward pressure on booking margin.
  b) **CR Mixc malls continue to strongly outperform the market**. For 1H26, we expect CR Land's malls to see high-teens growth in total tenant sales and a high single-digit growth in same-store sales growth (SSSG). The luxury segment continued to outperform the CR Mixc portfolio. According to CR Land, recurring income grew at 7.6% yoy in 1H26, of which rental income grew at 12.6% yoy. We expect recurring income growth in the interim results to be close to this level, with recurring business margins broadly stable, which in our view implies a marked increase in the share of investment properties (IP) in both revenue and profit.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	278,905	281,438	212,095	217,769	222,760
EBITDA	48,135	46,747	31,939	35,802	38,938
Operating profit	46,599	45,216	30,994	34,808	37,896
Net profit (rep./act.)	25,616	25,418	16,406	18,243	19,593
Net profit (adj.)	25,504	22,480	20,156	21,243	22,593
EPS (HK$)	357.6	315.2	282.7	297.9	316.8
PE (x)	8.4	9.5	10.6	10.0	9.4
P/B (x)	0.8	0.7	0.7	0.7	0.7
EV/EBITDA (x)	12.3	12.6	18.5	16.5	15.1
Dividend yield (%)	4.4	3.9	3.5	3.7	3.9
Net margin (%)	9.2	9.0	7.7	8.4	8.8
Net debt/(cash) to equity (%)	47.2	57.4	81.1	97.3	111.6
Interest cover (x)	15.0	15.2	11.6	13.4	14.1
ROE (%)	9.5	9.0	5.6	6.0	6.2
Consensus net profit (HK$m)	-	-	24,578.2	26,261.3	27,983.1
UOBKH/Consensus (x)	-	-	0.82	0.81	0.81

Source: CR Land, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	1109 HK
Shares issued (m):	7,130.9
Market Cap (Rmbm):	246,873.1
Market cap (US$m):	31,490.5
3-mth avg t'over (US$m):	118.5

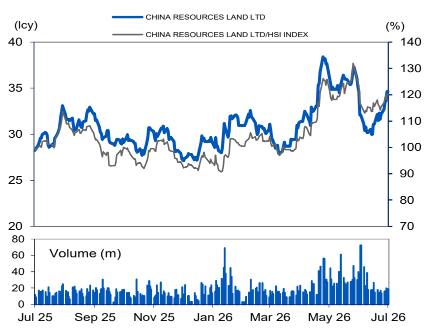
Price Performance (%)

52-week high/low				HK$39.88/HK$26.70
1mth	3mth	6mth	1yr	YTD
(4.0)	12.8	18.2	19.2	27.3

Major Shareholders	%
China Resources Company Limited	59.55

Major Shareholders	
FY26 NAV/Share (Rmb)	41.85
FY26 Net Debt/ Share (Rmb)	33.94

Price Chart



Source: Bloomberg

Company Description

China Resources Land, through its subsidiaries, develops and invests in properties. The company also provides corporate financing and electrical engineering services.

c) **Expect relatively stable core net profit in 1H26, supported by gains from the REIT listing.** In 1H26, CR Land completed the disposal of Chengdu Mixc and Mumian Hotel for the REIT listing of the portfolio. The gains from listing Chengdu Mixc and Mumian Hotel are expected to be a key earnings stabiliser. According to market news: a) CR Land disposed 100% equity of the Chengdu Mixc project company at a consideration of Rmb8.5b; and b) historical cost of the portfolio might be over Rmb3.0b. Thus we roughly estimate the after-tax capital gain (on a cash basis) at near Rmb4b. This cash basis gain, which includes accumulative revaluation gain, will be included in core net profit. Together with resilient recurring income, this should largely offset the weakness in DP in 1H26. Thus we expect stable core net profit and DPS for 1H26.

Earnings Revision/Risk

- **Revise down our earnings forecasts.** We cut our 2026/27/28 core net profit forecasts by 12.7%/12.7%/14.8%respectively, reflecting a more conservative development gross margin assumption, with 2026 DP gross margin lowered by 3.5ppt to 12.0%.

Key Changes To Estimates

	Old			New			Change		
Rmbm	26E	27E	28E	26E	27E	28E	26E	27E	28E
Revenue	285,355	287,027	288,875	212,095	217,769	222,760	-25.7%	-24.1%	-22.9%
Revenue-PD	240,541	240,541	240,541	166,712	170,046	173,447	-30.7%	-29.3%	-27.9%
GPM-PD	15.5%	16.0%	16.5%	12.00%	13.00%	14.00%	-3.50%	-3.00%	-2.50%
GPM	21.18%	21.86%	22.56%	21.02%	22.27%	23.21%	-0.16%	0.41%	0.65%
Core net profit	23,092	24,322	26,516	20,156	21,243	22,593	-12.7%	-12.7%	-14.8%

Source: CR Land, Bloomberg, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$39.60.** For our SOTP-derived target price, we keep our target PE of recurring income at 16x and the target PE for property development at 6x. With marginally lower earnings, our SOTP-derived target price is lowered by 6.6% to HK$39.60. CR Land is now trading at a 3.5% 2026 dividend yield.

Share Price Catalyst

- Stronger-than-expected recovery in the property market of Tier 1 cities.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	281,437.9	212,094.9	217,769.0	222,759.8
EBITDA	46,747.3	31,939.0	35,801.9	38,938.4
Deprec. & amort.	1,531.4	945.2	993.9	1,042.6
EBIT	45,215.9	30,993.8	34,808.0	37,895.9
Total other non-operating income	9,260.1	5,000.0	5,000.0	5,000.0
Associate contributions	1,959.9	1,567.9	1,599.2	1,631.2
Net interest income/(expense)	(3,083.4)	(2,747.5)	(2,662.4)	(2,752.0)
Pre-tax profit	53,352.5	34,814.2	38,744.9	41,775.1
Tax	(20,533.1)	(13,507.2)	(15,052.1)	(16,329.8)
Minorities	(7,401.8)	(4,900.6)	(5,449.3)	(5,852.4)
Net profit	25,417.5	16,406.4	18,243.5	19,592.9
Net profit (adj.)	22,480.0	20,156.4	21,243.5	22,592.9

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	309,550.1	325,350.1	341,150.1	356,950.1
Other LT assets	123,366.8	125,013.3	126,728.3	128,516.9
Cash/ST investment	115,449.2	48,922.8	294.8	(46,317.0)
Other current assets	530,334.5	585,331.2	645,732.3	705,174.7
Total assets	1,078,700.6	1,084,617.4	1,113,905.5	1,144,324.7
ST debt	50,506.0	53,031.3	55,682.9	58,467.0
Other current liabilities	338,187.6	315,877.2	313,881.7	310,568.1
LT debt	230,963.5	237,892.4	245,029.2	252,380.0
Other LT liabilities	39,727.8	44,651.8	50,314.3	56,826.2
Shareholders' equity	289,483.7	298,432.2	308,815.6	320,049.1
Minority interest	129,832.0	134,732.6	140,181.9	146,034.3
Total liabilities & equity	1,078,700.6	1,084,617.4	1,113,905.5	1,144,324.7

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	38,793.2	(72,995.4)	(39,205.9)	(37,059.6)
Profit fo the year	53,352.5	34,814.2	38,744.9	41,775.1
Tax	(20,533.1)	(13,507.2)	(15,052.1)	(16,329.8)
Deprec. & amort.	1,531.4	945.2	993.9	1,042.6
Associates	(1,959.9)	(1,567.9)	(1,599.2)	(1,631.2)
Working capital changes	8,608.4	(96,433.5)	(65,305.9)	(65,302.8)
Non-cash items	(5,696.0)	0.0	0.0	0.0
Other operating cashflows	3,489.8	2,753.8	3,012.5	3,386.6
Investing	(51,309.1)	(11,372.3)	(11,350.3)	(11,327.8)
Capex (growth)	(6,732.7)	(15,000.0)	(15,000.0)	(15,000.0)
Investment	94,014.7	94,954.8	95,904.4	96,863.4
Others	(138,591.0)	(91,327.1)	(92,254.7)	(93,191.2)
Financing	(3,009.6)	1,996.3	1,928.3	1,775.7
Dividend payments	(12,994.2)	(7,457.9)	(7,860.1)	(8,359.4)
Proceeds from borrowings	122,060.4	9,454.2	9,788.3	10,135.0
Loan repayment	(103,829.1)	0.0	0.0	0.0
Others/interest paid	(8,246.7)	0.0	0.0	0.0
Net cash inflow (outflow)	(15,525.6)	(82,371.3)	(48,628.0)	(46,611.8)
Beginning cash & cash equivalent	131,381.0	131,294.1	48,922.8	294.8
Changes due to forex impact	(406.2)	0.0	0.0	0.0
Ending cash & cash equivalent	115,449.2	48,922.8	294.8	(46,317.0)

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	16.6	15.1	16.4	17.5
Pre-tax margin	19.0	16.4	17.8	18.8
Net margin	9.0	7.7	8.4	8.8
ROA	2.3	1.5	1.7	1.7
ROE	9.0	5.6	6.0	6.2
Growth				
Turnover	0.9	(24.6)	2.7	2.3
EBITDA	(2.9)	(31.7)	12.1	8.8
Pre-tax profit	(8.4)	(34.7)	11.3	7.8
Net profit	(0.8)	(35.5)	11.2	7.4
Net profit (adj.)	(11.9)	(10.3)	5.4	6.4
EPS	(11.9)	(10.3)	5.4	6.4
Leverage				
Debt to total capital	40.2	40.2	40.1	40.0
Debt to equity	97.2	97.5	97.4	97.1
Net debt/(cash) to equity	57.4	81.1	97.3	111.6
Interest cover (x)	15.2	11.6	13.4	14.1