China Resources Land (1109 HK)

1H26: In Line; Mall Operations Remain The Key Outperformer

Highlights

- 1H26 core net profit rose 1.6% yoy, in line with expectations, supported by a 10.4% growth in recurring profit and Rmb3.7b gain from IP disposal.
- Since the beginning of the year, CR Land has proactively upgraded its strategy to prepare for the new pre-sale regime. Mall operations remain the key outperformer, with the 15th Five-Year Plan Period expansion plan intact.
- Maintain BUY with unchanged target price of HK$39.60.

1H26 Results

Year to 31 Dec (Rmbm)	1H26	2H25	1H25	yoy	hoh
Revenue	67,869	186,517	94,921	-28.5%	-63.6%
- Development property (DP)	45,263	163,801	74,358	-39.1%	-72.4%
- Investment property (IP)	14,161	13,338	12,106	17.0%	6.2%
- Other recurring income	8,446	9,377	8,457	-0.1%	-9.9%
Core Net Profit	10,160	12,480	10,000	1.6%	-18.6%
- Development property (DP)	3,510	6,801	3,979	-11.8%	-48.4%
- Investment property (IP)	5,620	4,911	4,989	12.7%	14.4%
- Other recurring income	1,030	768	1,032	-0.2%	34.1%
Core EPS	1.42	1.75	1.40	1.6%	-18.6%
DPS	0.20	0.966	0.20	0.0%	n/m
Pay-out ratio	14.0%	55.2%	14.3%	-0.2 ppt	n/m
Gross profit margin	25.4%	19.8%	24.0%	+1.4 ppt	+5.6 ppt
- Development property (DP)	10.0%	15.5%	15.6%	-5.6 ppt	-5.5 ppt
- Investment property (IP)	73.3%	70.8%	72.9%	+0.4 ppt	+2.5 ppt
Net gearing ratio	41.0%	39.2%	39.2%	+1.8 ppt	+1.8 ppt

Source: CR Land, UOB Kay Hian

Analysis

- **1H26 results in line with expectations.** Core net profit rose 1.6% yoy to Rmb10.16b, supported by Rmb3.7b gains from IP disposal, which is in line with our expectation. Revenue fell 28.5% yoy to Rmb67.87b, as development property (DP) revenue dropped 39.1% yoy to Rmb45.26b – partly offset by a 17.0% yoy rise in IP rental revenue to Rmb14.16b. Gross margin rose 1.4ppt yoy to 25.4%, as a higher recurring-business mix and stronger IP rental margin (+0.4ppt yoy) and CR Mixc Lifestyle margin (+0.9ppt yoy) more than offset a 5.6ppt decline in DP margin to 10.0%. Recurring core net profit rose 10.4% yoy to Rmb6.65b, lifting its share of group core profit by 5.3ppt to 65.5%. Net gearing reached 41.0% as of Jun 26, up 1.8ppt both yoy and hoh from 39.2%. Average funding cost dropped 9bp from end-25 to a record-low 2.63%. Interim DPS was Rmb0.20 (HK$0.231), flat yoy, implying a 14.0% core payout.

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 (Rmb fen)	357.6	315.2	282.7	297.9	316.8
PE (x)	7.2	8.2	9.1	8.7	8.1
P/B (x)	0.7	0.6	0.6	0.6	0.6
EV/EBITDA (x)	9.9	10.2	14.9	13.3	12.2
Dividend yield (%)	5.1	4.5	4.1	4.3	4.5
Net margin (%)	9.2	9.0	7.7	8.4	8.8
Net debt/(cash) to equity (%)	47.2	57.4	52.9	37.6	22.8
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)	-	-	24,052.7	25,795.5	27,302.1
UOBKH/Consensus (x)	-	-	0.84	0.82	0.83

Source: CR Land, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$30.06
Target Price	HK$39.60
Upside	+31.8%

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	1109 HK
Shares issued (m):	7,130.9
Market Cap (HK$m):	214,356.0
Market cap (US$m):	27,348.0
3-mth avg t'over (US$m):	95.0

Price Performance (%)

52-week high/low: HK$39.88/HK$26.70

1mth	3mth	6mth	1yr	YTD
(9.5)	(14.9)	(5.4)	(1.6)	10.5

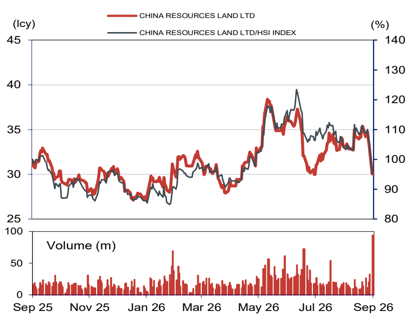
Major Shareholders (%)

China Resources Holdings	65.4

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	41.85
FY26 Net Debt/ Share (Rmb)	22.14

Price Chart



Source: Bloomberg

Company Description

China Resources Land is a Hong Kong-listed, state-owned mainland China property developer and investor under China Resources Group, operating a development property business, an investment property rental business anchored on the Mixc shopping malls, and an asset-light management fee-based business.

- **Mall operations remain the key outperformer, with the lead over the market widening.** Retail sales rose 16.4% yoy to Rmb128.2b, driven by 10.1% same-store sales growth, against national retail sales growth of 1.3% yoy in 1H26. Growth was broad-based rather than luxury-led: non-luxury malls' retail sales grew 18.4% yoy against 13.1% at luxury malls, lifting the non-luxury share of mall retail sales to 63% from 62% in 1H25 and 60% in 2023. Rental income increased 19.4% to Rmb12.4b as occupancy improved to 98.0% and the occupancy-cost ratio fell to 11.7%. Mall EBITDA grew 19.7% to Rmb8.2b, with a 66.0% margin. Malls contributed 55.3% of core net profit, underpinning CR Land's earnings amid weaker development operations.
- **Investment stayed proactive; net gearing rose 1.8ppt yoy and hoh to 41.0%.** In 7M26, land acquisition reached Rmb52.6b, or 40.3% of 7M26 contracted sales. Around 55.4% and 44.2% of attributable land investment are spent in Tier 1 and Tier 2 cities, respectively. For 7M26, implied land cost was Rmb15,520/sqm, equivalent to 42.5% of the contracted ASP. Funding costs fell to an industry-low of 2.63%
- **CR Land has proactively adjusted its strategy for the new pre-sale regime.** Management expects the "828" policy to improve supply-demand dynamics, support price recovery, strengthen buyer confidence and accelerate the shift towards project-based financing over the long term, and projects that it may pressure developers' near-term cash flow. Since this year, CR Land has strengthened its core capabilities and project-level cash flow management. Looking forward, CR Land will continue to drive revenue growth, reduce cost, and engage with local governments to support a smooth transition of the new pre-sale regime.
- **Management reiterated its investment-property operating plan under the 15th Five-Year Plan period.** The number of operating malls is targeted to increase from 98 to 127, while the company plans to recycle around five mature assets annually through REIT listings and other channels. Although management expects greater pressure on 2H26 retail sales following a slowdown in July-August, it remains confident that CR Mixc malls will continue to outperform the broader market.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of HK$39.60.** Our SOTP-derived target price is derived from 16x targeted PE of recurring income and 6x target PE for property development. Maintain BUY. CR Land is now trading at a 4.1% 2026 dividend yield.

Earnings Revision/Risk

- Keep earnings forecast unchanged.

Share Price Catalyst

- Faster-than-expected margin recovery in the DP business.

Contracted Sales

(Rmb b)	1H26	1H25	YoY
Contracted sales (Rmb b)	116.50	110.32	+5.6%
Contracted GFA (m sq m)	3.16	4.1	-23.2%
Contracted ASP (Rmb/sq m)	36,841	26,777	+37.6%
Locked-in unbooked sales (Rmb b)	251.8	306.4	-17.8%

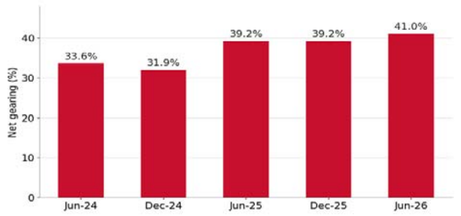
Source: CR Land, UOB Kay Hian

1H26 Contracted Sales By Region

Region	Sales (Rmb b)	% of total
South China	42.98	36.9%
East China	39.10	33.6%
Northern China	19.27	16.5%
Central & Western China	15.14	13.0%
Total	116.50	100.0%

Source: CR Land, UOB Kay Hian

Net Gearing Ratio



Source: CR Land, UOB Kay Hian

Commercial Operations: Revenue Mix And KPIs

	1H26	1H25
Revenue by asset type (Rmb b)		
Shopping malls	12.4	10.4
Office	0.78	0.82
Hotel	0.94	0.87
Total IP rental revenue (Rmb b)	14.16	12.11
KPIs	1H26	1H25
Retail rental yoy	12.8%	15.9%
Vs National retail sales yoy	5.0%	1.3%
Mall retail sales (Rmb b)	128.2	110.1
Mall retail sales yoy	16.4%	20.2%
Mall same-store sales growth	10.1%	9.4%.
Shopping mall occupancy (%)	98.0	97.3.
Occupancy cost ratio	11.7%	12.0%
Office occupancy (%)	74.3	74.5

Source: CR Land, UOB Kay Hian.

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	133,077.9	184,449.9	237,838.1
Other current assets	530,334.5	486,693.7	448,847.1	411,064.8
Total assets	1,078,700.6	1,070,135.0	1,101,175.5	1,134,370.0
ST debt	50,506.0	53,031.3	55,682.9	58,467.0
Other current liabilities	338,187.6	301,394.8	301,151.6	300,613.3
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	1,070,135.0	1,101,175.5	1,134,370.0

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	38,793.2	27,004.6	60,794.1	62,940.4
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	3,566.5	34,694.1	34,697.2
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)	17,628.7	51,372.0	53,388.2
Beginning cash & cash equivalent	131,381.0	115,449.2	133,077.9	184,449.9
Changes due to forex impact	(406.2)	0.0	0.0	0.0
Ending cash & cash equivalent	115,449.2	133,077.9	184,449.9	237,838.1

Key Metric

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	1.8
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	52.9	37.6	22.8
Interest cover (x)	15.2	11.6	13.4	14.1