UOBKayHian

Company – Results | Greater China

Thursday, 27 August 2026

China Overseas Land & Investment (688 HK)

1H26 Results Beat Expectations; Margin Stablisation Becoming More Visible

Highlights

- 1H26 core net profit fell 9.7% yoy, better than our low-teens drop expectation. DPS declined at a narrower 8.0% yoy to HK$0.23/share.
- With an improved market outlook and stronger sales pipeline in 2H26, we expect positive sales growth in 2H26. First-tier exposure will be the profit lever, and margin stabilisation is becoming more visible. Investment will stay proactive (target Rmb80b-100b).
- Maintain BUY with an unchanged target price of HK$19.88. COLI remains our top pick for the China property sector.

1H26 Results

Year to 31 Dec (Rmbm)	1H26	2H25	1H25	yoy	hoh
Revenue	97,599	84,870	83,219	17.28%	15.00%
- property development (PD)	91,860	78,812	77,962	17.83%	16.56%
- property investment	3,575	3,658	3,542	0.94%	-2.27%
- Other operation	2,164	2,400	1,715	26.18%	-9.83%
Gross Profit	15,710	11,605	14,460	8.64%	35.38%
Attributable net profit	7,030	4,092	8,599	-18.24%	71.80%
Core underlying net profit	7,930	4,230	8,780	-9.68%	87.47%
Core EPS (RMB / share)	0.72	0.39	0.80	-9.68%	87.47%
DPS (HK$ / share)	0.23	0.25	0.25	-8.00%	-8.00%
Dividend payout ratio	27.6%	58.4%	28.4%	-0.8ppt	-30.9ppt
Margins					
Gross Profit Margin	16.10%	13.67%	17.38%	-1.3ppt	2.4ppt
SG&A to revenue	2.83%	4.25%	3.84%	-1.0ppt	-1.4ppt
Core Net Profit Margin	8.13%	4.98%	10.55%	-2.4ppt	3.1ppt
Leverage					
Net gearing ratio	27.20%	34.20%	28.40%	-1.2ppt	-7.0ppt

Source: COLI, UOB Kay Hian

Analysis

- **1H26 better than expected.** Core net profit declined 9.7% yoy to Rmb7.93b, vs market expectation of a low-teens yoy drop, equivalent to 67% of our annual estimate. Key drivers include: a) 17.3% yoy growth in revenue, driven by property development (+17.8% yoy), with commercial operations revenue stable (+0.9% yoy); b) a 1.0ppt decline in SG&A ration; and c) a 6.8% yoy decline in finance costs. Margin compression continued to be the key drag, with gross profit margin dropping 1.3ppt yoy to 16.1%. Net gearing ratio fell to 27.2%, down 1.2ppt yoy and 7.1ppt hoh. Interim DPS is HK$0.23, down 8.0% yoy.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	185,154	168,089	169,220	165,762	167,131
EBITDA	26,411	19,676	18,350	20,179	22,002
Operating profit	25,951	19,257	17,913	19,725	21,530
Net profit (rep./act.)	15,636	12,691	11,942	12,882	13,964
Net profit (adj.)	15,720	13,010	11,942	12,882	13,964
EPS (HK$)	143.6	118.9	109.1	117.7	127.6
PE (x)	8.6	10.4	11.3	10.5	9.6
P/B (x)	0.4	0.3	0.3	0.3	0.3
EV/EBITDA (x)	12.4	16.6	17.8	16.2	14.8
Dividend yield (%)	4.4	3.6	3.4	3.7	4.0
Net margin (%)	8.4	7.6	7.1	7.8	8.4
Net debt/(cash) to equity (%)	30.9	37.1	40.5	38.4	35.9
Interest cover (x)	28.2	27.0	27.6	30.5	32.2
ROE (%)	4.1	3.3	3.1	3.2	3.4
Consensus net profit (HK$m)	-	-	12,290.3	12,882.1	14,045.2
UOBKH/Consensus (x)	-	-	0.97	1.00	0.99

Source: COLI, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$14.35
Target Price	HK$19.88
Upside	+38.5%

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	688 HK
Shares issued (m):	10,944.9
Market Cap (HK$m):	157,059.1
Market cap (US$m):	20,036.4
3-mth avg t'over (US$m):	47.2

Price Performance (%)

52-week high/low: HK$16.70/HK$11.36

1mth	3mth	6mth	1yr	YTD
8.1	(7.0)	0.0	(0.6)	17.1

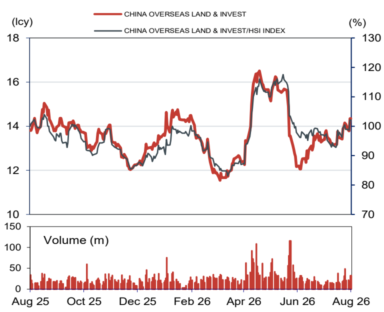
Major Shareholders (%)

China State Construction Engineering Corp	56.1

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	38.90
FY26 Net Debt/ Share (Rmb)	14.63

Price Chart



Source: Bloomberg

Company Description

China Overseas Land & Investment is a Hong Kong-listed, state-owned mainland China property developer and investor, majority owned by China State Construction Engineering Corporation. It develops residential property focused on first-tier and core second-tier cities and holds a commercial portfolio of offices, shopping malls, long-term leased apartments and hotels.

- **Market outlook improving; expect positive sales in 2H26.** Shared by management, a gradual stabilisation of the property market in Tier 1 and core Tier 2 cities has become increasingly evident, supported by improving supply-demand fundamentals. In particular, new supply in Tier 1 cities declined by around 25% in 1H26. At the same time, the market remains polarised – not only between Tier 1/core Tier 2 cities and lower-tier cities, but also between prime urban locations and peripheral districts within the same city. Against this backdrop, management views land-value appreciation in Tier 1 and core Tier 2 cities as a key growth engine for China Overseas Land & Investment (COLI). With new launches in 2H26 25% higher than 1H26, we expect positive sales growth in 2H26.
- **First-tier exposure will be the profit lever, and margin stabilisation is becoming more visible.** Tier 1 cities including Hong Kong were 68.6% of ex-COGO contracted sales in 1H26 (+14.9ppt yoy), with sales there up 41.9% yoy, and Tier 1 landbank remains over 59% of saleable resources. ASP ex-COGO rose 42% yoy to Rmb40,320/sqm – partly Hong Kong, partly a mix shift to the high end in our view. Having lifted the first-tier share from 38% in 2023 to 57-69% in 2024-26, and on a two-year sales-to-delivery cycle, we expect COLI to book that mix into margin from 2026. 2H margin is seasonally lower than 1H, but the better mix and stabilising Tier 1 property prices give a higher chance of flat yoy margins in 2H26.
- **Targets a sustained proactive investment pace (Rmb80b-100b) in 2026.** Land buying is picking up in 3Q. COLI acquired nine projects in July-August, with Rmb25.6b of attributable land premium – around 77% of its Rmb33.3b ytd investment – including urban-renewal projects in Taiyuan and Shenzhen. For 2026, management targets Rmb80b-100b of land investment, which is consistent with the average land investment of Rmb92.8b during 2022-25. Despite tighter land supply and stronger competition in core cities, we expect COLI to sustain disciplined, high-quality replenishment through its urban-renewal expertise, large-project execution and Hong Kong expansion.

Key Operational Figures

	2022	2023	2024	2025	1H25	1H26
Contracted Sales (Rmbm)	294,760	309,800	310,690	251,231	120,151	134,350
yoy	-20.2%	5.1%	0.3%	-19.1%	-19.0%	11.8%
Contracted Sales (Rmbm) excl COGO	254,443	266,980	270,580	219,046	103,540	115,210
yoy	-14.7%	4.9%	1.3%	-19.0%	-20.0%	11.3%
Contracted sales of T1 cities	93,889	101,800	164,000	125,440	55,640	79,000
Contribution of T1 cities to sales (excl COGO)	36.9%	38.1%	60.6%	57.3%	53.7%	68.6%
Contracted Sales ASP (Rmb/sqm)	21,252	23,194	27,176	23,789	23,468	29,836
yoy	8.7%	9.1%	17.2%	-12.0%	-14.0%	27.1%
Contracted Sales ASP excl COGO	25,081	27,174	33,810	28,736	28,388	40,340
yoy	11.2%	8.3%	24.4%	-15.0%	-17.0%	42.1%
Saleable resources (Rmbm)		767,429	680,000	603,400		
Gross land premium (Rmbm) ex COGO	110,700	134,200	80,609	118,688	40,365	7,860
Attr. land premium (Rmbm) ex COGO	86,377	122,660	69,635	92,423	40,109	7,660
Land to Sales Allocation Ratio	44%	50%	30%	54%	39%	7%
Land AV (Rmb/sqm)	11,500	17,565	19,400	20,790	15,632	10,342
Land cost / ASP	46%	65%	57%	72%	55%	26%

Source: COLI, UOB Kay Hian

Valuation/Recommendation

- Maintain BUY with an unchanged target price of HK$19.88. Our target price is based on a 55% discount to our 2026 NAV estimate of Rmb38.9/share.

Earnings Revision/Risk

- Raise our 2026/27/28 core net profit forecasts by 1.5%/2.5%/2.3% respectively to factor in slightly higher revenue growth assumptions.

Share Price Catalyst

- Stronger-than-expected sales and margin recovery in 2H26.

Contracted Sales

(Rmb b)	1H26	1H25	YoY
The Company and its subsidiaries	94.10	92.92	+1.3%
JVs and associates (excl. COGO)	21.11	10.62	+98.8%
COGO	19.14	16.61	+15.2%
Total (Group Series of Companies)	134.35	120.15	+11.8%

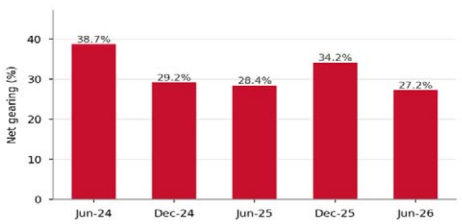
Source: COLI, UOB Kay Hian

1H26 Contracted Sales By Key City (excl. COGO)

City	Sales (Rmb b)	% of ex-COGO total
Beijing	24.75	21.5%
Shenzhen	22.50	19.5%
Shanghai	14.92	12.9%
Hong Kong	13.31	11.6%
Guangzhou	3.51	3.0%
Five-city sub-total	78.99	68.6%
Other cities	36.22	31.4%
Total (excl. COGO)	115.21	100.0%

Source: COLI, UOB Kay Hian

Net Gearing Ratio



Source: COLI, UOB Kay Hian

Commercial Operations: Revenue Mix And KPIs

	1H26	1H25
Revenue by asset type (Rmb b)		
Office buildings	1.72	1.70
Shopping malls	1.16	1.17
Long-term leased apartments	0.18	0.16
Hotels and others (Rmb b)	0.52	0.51
Total commercial revenue (Rmb b)	3.58	3.54
KPIs	1H26	1H25
Tenant sales growth	11.4%	6.7%
Same-store sales growth	4.5%	3.9%
Shopping mall occupancy (%)	95.3	96.2*
Office lease renewal rate (%)	63.1	76.9

**1H25 mall occupancy is for projects operating over three years.*
Source: COLI, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	168,088.8	169,220.3	165,761.7	167,130.8
EBITDA	19,676.3	18,349.6	20,179.2	22,002.0
Deprec. & amort.	418.9	436.5	454.1	471.7
EBIT	19,257.5	17,913.1	19,725.1	21,530.3
Total other non-operating income	1,557.3	1,186.1	842.5	758.3
Associate contributions	521.8	495.7	520.5	546.6
Net interest income/(expense)	(727.6)	(665.4)	(661.2)	(683.3)
Pre-tax profit	20,609.0	18,929.6	20,427.0	22,151.8
Tax	(7,177.5)	(6,291.2)	(6,793.8)	(7,373.6)
Minorities	(740.3)	(696.6)	(751.4)	(814.5)
Net profit	12,691.2	11,941.8	12,881.8	13,963.7
Net profit (adj.)	13,010.0	11,941.8	12,881.8	13,963.7

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	212,974.5	213,274.5	213,574.5	213,874.5
Other LT assets	57,098.9	58,580.5	60,106.7	61,678.6
Cash/ST investment	103,351.5	95,518.2	109,456.6	125,032.8
Other current assets	542,272.5	557,226.6	569,354.9	582,105.6
Total assets	915,697.3	924,599.8	952,492.7	982,691.5
ST debt	42,316.1	44,431.9	46,653.5	48,986.2
Other current liabilities	220,273.1	212,810.2	219,653.7	227,054.8
LT debt	205,059.3	211,211.1	217,547.4	224,073.8
Other LT liabilities	28,149.6	29,545.2	33,941.3	38,996.8
Shareholders' equity	387,947.8	394,953.4	403,297.3	412,366.0
Minority interest	31,951.4	31,647.9	31,399.3	31,213.9
Total liabilities & equity	915,697.3	924,599.8	952,492.7	982,691.5

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	(20,464.0)	(3,723.8)	18,073.7	20,039.1
Profit fo the year	20,609.0	18,929.6	20,427.0	22,151.8
Tax	(7,177.5)	(6,291.2)	(6,793.8)	(7,373.6)
Deprec. & amort.	418.9	436.5	454.1	471.7
Associates	(521.8)	(495.7)	(520.5)	(546.6)
Working capital changes	(33,480.0)	(16,032.1)	4,688.3	5,410.7
Non-cash items	(312.5)	(270.7)	(181.3)	(74.9)
Other operating cashflows	0.0	(0.0)	0.0	0.0
Investing	(2,503.0)	(300.0)	(300.0)	(300.0)
Capex (growth)	(300.0)	(300.0)	(300.0)	(300.0)
Investment	49,389.2	50,870.8	52,397.0	53,968.9
Others	(51,592.2)	(50,870.8)	(52,397.0)	(53,968.9)
Financing	(7,275.3)	(3,809.5)	(3,835.2)	(4,162.9)
Dividend payments	(5,936.1)	(5,537.9)	(5,895.1)	(6,306.2)
Proceeds from borrowings	5,811.5	8,267.6	8,557.9	8,859.1
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(7,150.6)	(6,539.2)	(6,498.0)	(6,715.8)
Net cash inflow (outflow)	(30,242.4)	(7,833.3)	13,938.5	15,576.2
Beginning cash & cash equivalent	123,892.2	103,351.5	95,518.2	109,456.6
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	93,649.9	95,518.2	109,456.6	125,032.8

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	11.7	10.8	12.2	13.2
Pre-tax margin	12.3	11.2	12.3	13.3
Net margin	7.6	7.1	7.8	8.4
ROA	1.4	1.3	1.4	1.4
ROE	3.3	3.1	3.2	3.4
Growth				
Turnover	(9.2)	0.7	(2.0)	0.8
EBITDA	(25.5)	(6.7)	10.0	9.0
Pre-tax profit	(22.0)	(8.1)	7.9	8.4
Net profit	(18.8)	(5.9)	7.9	8.4
Net profit (adj.)	(17.2)	(8.2)	7.9	8.4
EPS	(17.2)	(8.2)	7.9	8.4
Leverage				
Debt to total capital	37.1	37.5	37.8	38.1
Debt to equity	63.8	64.7	65.5	66.2
Net debt/(cash) to equity	37.1	40.5	38.4	35.9
Interest cover (x)	27.0	27.6	30.5	32.2