China Property

UNDERWEIGHT
(Maintained)

Margin Trough Not Yet Behind Us; Quality Still Wins Out

Highlights

- Most companies under our coverage are expected to report yoy declines in core net profit and DPS in 1H26, except for CR Mixc and CR Land. Ongoing margin pressure will weigh on investors' sentiment.
- High frequency data of Jul 26 points to continued sales recovery in Tier 1 cities. Price recovery marginally softened mom in Shanghai and Shenzhen in Jun 26.
- Quality gap widening; stay selective. Maintain UNDERWEIGHT. Our top picks are COLI and CR Mixc.

Analysis

- **1H26 results preview.** Most companies under our coverage are expected to report yoy declines in core net profit and DPS, with the exceptions of CR Mixc and CR Land. Double-digit tenant sales and rental growth should support earnings for both names, while stronger-than-expected gains from REIT listings will also contribute to CR Land's earnings resilience.
- **Ongoing margin pressure of residential sales and management weighs on investor sentiment.** We expect continued margin pressure in development property (DP), macro pressure on residential management fees and a patchy market recovery to weigh on overall investor sentiment. While, sentiment toward COLI and CR Mixc should remain relatively stable, as both names are likely to face the lowest risk of EPS downgrades.

1H26 Preview Indicators

		COLI	CR Land	Longfor	Yuexiu	CR Mixc	COPH
1H26 results preview	Revenue growth	Slight decline	20-30% yoy decline	~30% yoy decline	20-30% yoy decline	~+9% yoy	positive yoy growth
	DP Margin	~15% (down ~1 ppt yoy)	~10% (down ~5 ppt yoy)	Negative 10% (down ~10 ppt yoy)	~7% (down 3.6 ppt)	~36.0% (up ~+0.5 ppt yoy)	~13.0% (down ~2 ppt yoy)
	Core net profit yoy growth	Low teens decline	Flattish	Breakeven (vs Rmb1.4b in 1H25)	-90-95% yoy	~+11% yoy	negative yoy growth
	Interim Payout	~30%	~15%	0%	~40%	~100%	~41%
Revision on earnings	2026	-8.2%	-12.7%	to -Rmb3b (from -1.5b)	-75%	0%	-11.2%
	2027	-6.1%	-12.7%	-96%	-50%	0%	-13.9%
	2028	-2.4%	-14.8%	-73%	-43%	0%	-14.9%
Contracted sales in 1H26	Rmbb	134.4	116.5	16.6	50.5	/	/
	YoY	+11.8%	+5.6%	-52.7%	-17.9%	/	/
	Run-rate of sales target	~53%	Target n.a.	Target n.a	~50%	/	/
Attributable Land acquisition	Rmbb	7.7 *	32.5	1.4	~6.0	/	/
	yoy	-80.9%	+0.6%	-23.4%	-27.5%	/	/

*Source: UOB Kay Hian. *Land acquisition of COGO and the land investment in Kam Sheung Road Station Phase II is excluded from land investment figure.*

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Segmental Rating

Segment	Rating
China property	UNDERWEIGHT (Maintained)
Property management	UNDERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
COLI	688HK	BUY	13.40	19.88
CR Mixc	1209 HK	BUY	39.02	55.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 28 Jul 26 (HK$)	Target Price (HK$)	Upside To TP (%)	Last Year End	PE 2025A (x)	PE 2026E (x)	PE 2027E (x)	Yield 2027E (%)	ROE 2026E (%)	Market Cap. (HK$m)	Price/ NAV ps (x)
China Resources Land Ltd	1109 HK	BUY	33.58	39.60	17.9%	12/25	9.2	10.2	9.1	3.7	4.7%	239,457.0	0.69
China Overseas Land	688 HK	BUY	13.40	19.88	48.4%	12/25	9.7	9.8	9.4	3.7	3.0%	146,661.4	0.32
Longfor Properties	960 HK	BUY	6.75	10.12	49.9%	12/25	5.5	N.A.	N.A.	0.1	-1.9%	47,907.5	0.26
Yuexiu Property	123 HK	BUY	3.58	4.50	25.7%	12/25	47.7	50.1	39.6	1.0	0.5%	14,410.9	0.23
CR Mixc Lifestyle	1209 HK	BUY	39.02	55.00	41.0%	12/25	19.3	17.4	15.6	6.4	26.6%	89,063.2	4.7
China Overseas Property Holdings	2669 HK	BUY	3.46	4.20	21.4%	12/25	7.1	8.0	8.1	5.3	18.5%	11,362.5	1.5

Source: UOB Kay Hian

Highlights Of 1H26 previews:

- **COLI.** We expect the DP gross margin decline to slow to under 2ppt yoy in 1H26 (vs -4.7ppt yoy in 1H25) on higher-margin trough-acquired projects, though investment portfolio (4.3% of 2025 revenue) risks a 1H26 revaluation loss. This support smaller EPS cut of 2.4-8.2%.

Click here for Report on COLI dated 16 Jul 26

- **CR Land.** We expect strong IP rental (+12.6% yoy) and estimate about Rmb4b one-off in REIT gains to support flattish core net profit. However, DP profit may decline faster than expected, with an over 30% yoy DP revenue decline and over 5ppt margin compression in 1H26. Overall picture is mixed.

Click here for Report on CR Land dated 17 Jul 26

- **Longfor** is still working through its transformation and experiencing deeper losses in the DP segment, though its debt-maturity peak has passed.

Click here for Report on Longfor dated 20 Jul 26

- **Yuexiu Property** guides for 1H26 core net profit at Rmb50m-100m (-90-95% yoy off a high base) as pre-2021 inventory destocking compresses margins.

Click here for Report on Yuexiu Property dated 21 Jul 26

- **CR Mixc.** In-line double-digit earnings growth, modest margin expansion of commercial management and 100% interim payout ratio continue to support resilient investors' sentiment. Softness mainly comes from residential management.

Click here for Report on CR Mixc dated 22 Jul 26

- **COPH** keeps growing in terms of revenue, but earnings decline as margins compress. Revenue growth stays positive in 1H26 and 2026 but slows further on decelerating third-party expansion and weaker property sales. We expect 2026 net profit to fall yoy – with a larger 1H26 drop given the high 1H25 base – driven mainly by further gross margin contraction. The interim basic payout may hold at 41%, but without last year's 10th-anniversary special dividend. We trim our 2026-28 earnings forecasts by 11.2-14.9% on the sharper margin decline.

Market updates:

- **Uneven market recovery.** Our recent preview calls point to an uneven property market recovery, with the positive development of sales & price mainly concentrated in Tier 1 cities and core regions of certain Tier 2 cities.
- **High frequency data points to continued sales recovery in Tier 1 cities.** For the first 26 days of Jul 26, new-home sales in Beijing/ Shanghai/ Guangzhou/Shenzhen rose 10% /27% /2% /70% yoy, versus +3.6%/ +0.5%/-6.9%/+16.6% in June; second hand transactions in Beijing/ Shanghai/Shenzhen increased 10.3% /21.0% / 1.0% yoy, versus rose 9.8%/21.1%/12.6% in June. The strengthening yoy growth is partly due to a relatively low base since Jul 25. Overall, the Tier 1 market continues to recover, although Shenzhen's second-hand transaction growth softened sequentially from June.
- **Price recovery marginally softens mom in Shanghai and Shenzhen.** According to the NBS second-hand price index, Jun 26 mom changes in Beijing/ Shanghai/Guangzhou/Shenzhen were +0.1%/ +0.4%/ +0.4%/ +0.3% respectively, versus +0.1%/+0.6%/+0.1%/+0.6% in May, with Shanghai and Shenzhen slowing. Based on our channel checks with developers, the recovery trend in Tier 1 cities remains largely intact, but momentum may moderate, and we expect a more differentiated recovery in 2H26.

Valuation/Recommendation

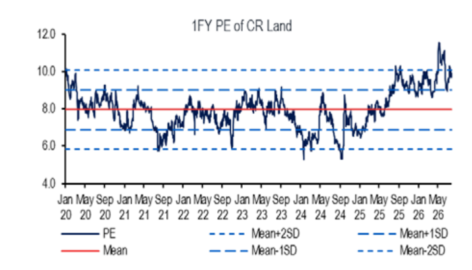
- **Maintain UNDERWEIGHT on China's property segment,** as: a) the 1H26 previews confirm that the development-margin trough is not yet behind us and a two-speed sales recovery; and b) ongoing earnings contraction leaves segment valuations unattractive, with one-year forward dividend yields already near or below -1SD from the 2020 mean. However, we see selective opportunities in developers with strong Tier 1 city exposure.
- **Maintain UNDERWEIGHT on China's property management segment,** as weak overall property transactions weigh on the pricing and expansion of residential property management players. We see the quality gap within the property management segment is widening. Commercial-focused players continue to deliver superior earnings growth and margin resilience. We prefer the commercial-focused companies.
- **Our top pick among developers is COLI. It is th**e only name to deliver a strong recovery in contracted sales (+11.8%) and see easing DP margin pressure (down ~1ppt yoy in 1H26). Both trends are underpinned by its strong exposure to Tier 1 cities, which accounted for 60% of saleable resources as of Dec 25. COLI also has a strong post-results seasonality record. COLI is trading at 0.32x one-year foward P/B (1SD below mean), with 3.7% 2027 dividend yield (vs 1SD below mean of 3.34%).
- **Our top pick for the property management segment is CR Mixc** for its strong recurring cash flow and margin resilience supported by high-end commercial properties. It is trading at 16.5x 2026F PE (near mean) with a 6.0% dividend yield (1SD above mean).
- **We lower COPH's target price to HK$4.20 and maintain BUY.** We trim our 2026-28 earnings forecast for COPH by 11.2-14.9% as the overall gross-margin decline is sharper than our previous estimate. Our target price implies a 4.1% 2026 dividend yield.

Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.
- Risks: A deeper or longer development margin trough.

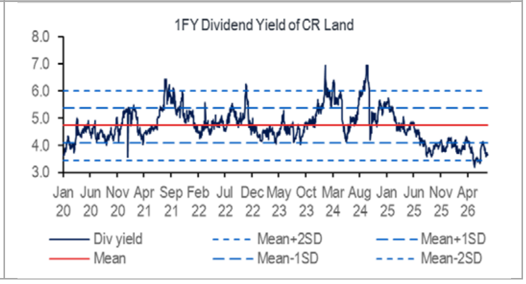
One Year Forward Valuation

CR Land-PE

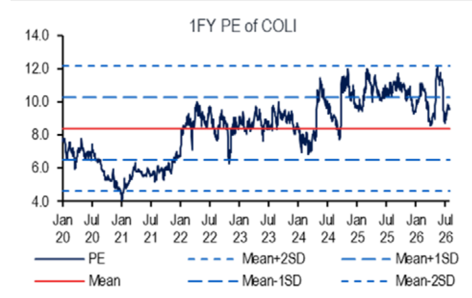


CR Land-PB

CR Land-Dividend Yield



COLI-PE



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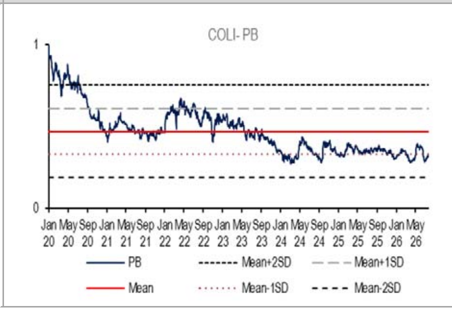
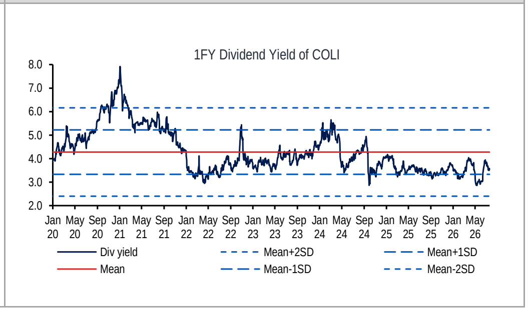
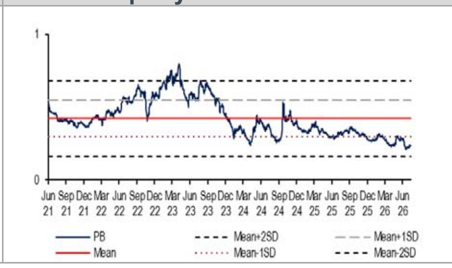


COLI-Dividend Yield

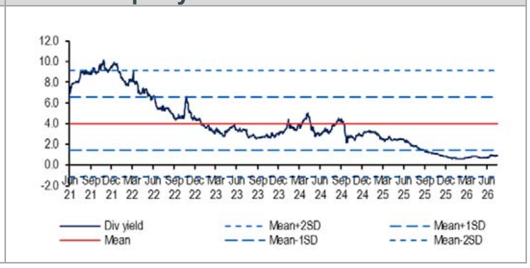


Longfor-PB

Yuexiu Property-PB



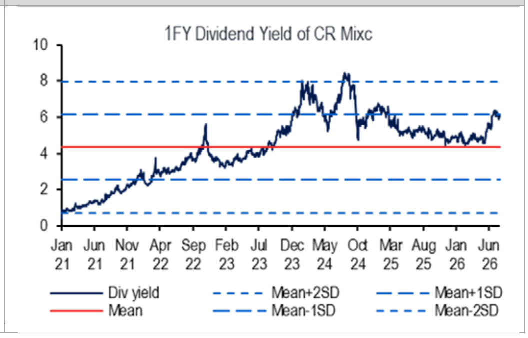
Yuexiu Property-Dividend Yield



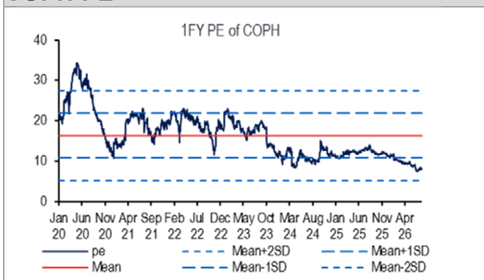
CR Mixc-PE

CR Mixc-PB

CR Mixc-Dividend Yield

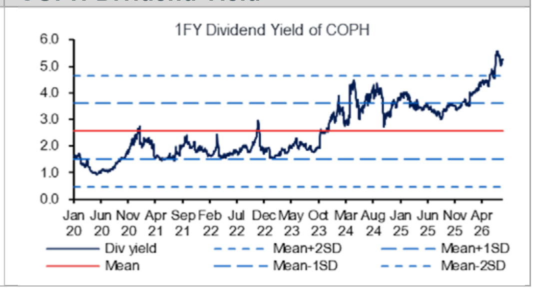


COPH-PE



COPH-PB

COPH-Dividend Yield



Source: Bloomberg, UOB Kay Hian