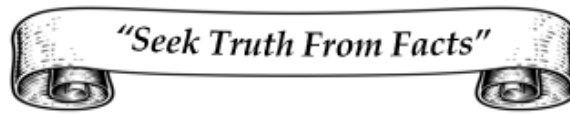


The China Rambler

An Occasional Letter On Topics Of Interest To China Investors

Issue #24



October 2nd, 2026

In this edition: China's 'Austrian' approach to the property market creates opportunity. Why China's bank-stocks are making new highs and likely headed higher. Why I bought China Resources Mixc #01209. How market weakness drove me into Trip.com (#09961) and Haidilao (#06862). Thanks! China for managing up the Rmb. Thanks! The USA and President Trump for a great summit and why homework is required for the G2-World.

'Austrian' Opportunity In China's Property Stocks

The point of no return on [The Road To Serfdom](#) that Western economies are now on was the response to the 2008 Global Financial Crisis. Problems created by a venal few were then unfairly socialized, either via bank support, insurance company backstops or direct [government hand out](#). Soon after came '[Quantitative Easing](#)', or money printing, and after that the let's-go-round-again! COVID-intervention of yet more handouts. These policies, in part, have contributed to the unmanageable deficits and breakdown of political consensus which we see today in much of the developed West. China's planners will have taken note.

Tough Love

With the Western experience as a guide, the Chinese government have decided the way out of their property downturn (not 'crisis' BTW) is to do as little as possible whilst the greatest healer of all, time, works its magic; a very Austrian response. Yes, [palliative care](#) from time to time; but no miracle cure aimed at making everybody whole again.



For The Avoidance Of Doubt

This policy is crystal-clear. President Xi, in a [keynote speech](#) in 2021 detailing what 'Common Prosperity' means, made this telling remark: "Even if we become more developed and financially stronger.., *we should not.. provide.. guarantees, in order not to fall into the trap of "welfarism"* that encourages laziness." [My bold and italics, and Hip! Hip! BTW.] Sector valuations have been crushed in this process, and the combination of extreme-low stock prices and attractive yields presents a classic value opportunity. This reminds me of how unloved China's bank-stocks found themselves not that long ago; speaking of which...

Ten Reasons Why China's Bank Stocks Have Been, And Are Likely To Continue Being, Attractive Investments

The stock prices of China's big banks traded at or close to all-time highs last month. As they've offered value-in-plain-sight for years there's no mystery as to why this should be.

For late arrivals to this party below is a ten-point primer that explains how we got here and why these stocks, almost certainly, will continue to press on:

1. **They're Reliable Growth Proxies.** Balance sheets of these firms **MUST** expand in lock-step with the economy, and they have. This offers a safe winning strategy for minorities.
2. **There's An Absence Of Competition.** There's no need to look for a moat, these firms represent a state-sponsored oligopoly likely to be kept this way for a long time.
3. **The Majority Shareholder is China Inc.** In a few years' time there may not be a Barclays or a Deutsche Bank. China's banks are the best credits in the world and will outlive us all.
4. **The Earnings-Pump.** The owners control the price/cost of the banks' assets **AND** their liabilities. In so doing they make sure profits are recurrent and capital increases.
5. **They're Underheld.** International institutional investors have avoided this group for years. For those with no holdings an uncomfortable underweight just got a lot worse.
6. **Net Interest Margins Have Stopped Falling.** This has been a legitimate concern for the last few years. H1 '26 results showed an improving trend likely to carry on.
7. **Valuations Remain Crazy-Low.** Most apply a price-to-book test for this. On that basis, even after the recent run, these stocks are around, or less than, half the price of global peers.
8. **First-Rate Operating Metrics.** Pick one. My favourite is cost to income. Compared to global comps. these banks are run for the benefit of their shareholders, not their managers.
9. **Track Record(s).** Take a look at the 20-year record of Bank of China (#03988, a personal holding and the first major bank to list in '06). Book value, profits, dividends; up, up, up.
10. **Yield.** The nature of the relationship with their majority shareholder requires the payment of regular dividends. Minorities in this process are treated like government. Sweet.

Nothing but reflexive-prejudice explains investors' historical antipathy to this sector. The impressive returns since the earliest listings provide a useful example of how a mind-set founded on poor research can lead to expensive missed opportunities.

Now back to property with a low-risk 'adjacent' idea that engaged my attention recently...

Stockwatch: #01209 China Resources Mixc

Summary of a recent closer look

Basically: Market cap.: c. U\$11.2bn, PE 19.7x, Yield 5.5%, PB 5.0x. Avg. daily TO (3m) U\$23m. Business: the company is controlled (via a 70% equity stake) by SOE China Resources Land (#01109) and is the manager of a substantial portfolio of residential, office and retail assets owned or developed by the parent. Listed in December 2000 at H\$22.30.

The most visible assets are its Mixc shopping malls which have established themselves as the premier retail-mall brand in China. These provide around 40% of total revenue.

Since listing, to remind this covers the COVID period from start to finish, net profit has risen consistently **1**. The stock price highlights the significant valuation compression since launch.

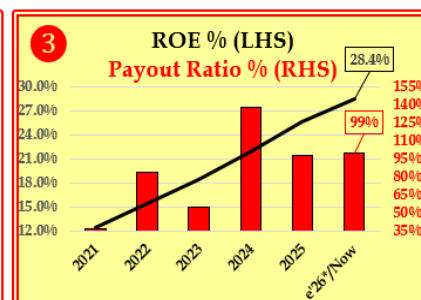
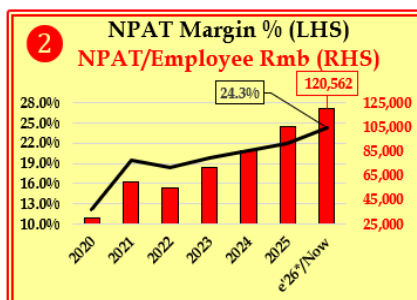
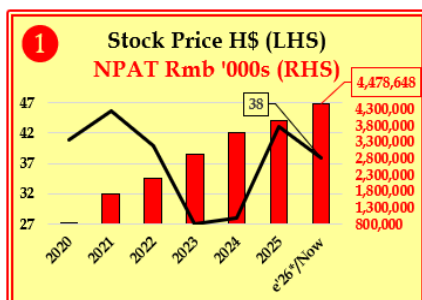
As the scale of the enterprise has grown the operational-gearing benefit of more assets over a controlled spend is highlighted by NPAT-margin and NPAT/employee trends **2**.

The listing prospectus promised a minimum payout of 35% but that's been stepped up to 100% recently. ROE growth is consistent with the asset-light model and should persist **3**.

Not to like: They're an SOE. The parent controls the profitability and siphons off the benefit. This so far has also been good for minorities. I wouldn't look for or expect 'tunneling' here but it will always be a possibility. As is the possibility of 'National Service' at some stage. Listing cornerstones seem to have moved on reducing third-party oversight.

To like: They're an SOE. We'll never have to worry about solvency. Moreover, I regard the majority owner as one of the bluest of blue-chip operators and there's no shabby past that has to be overlooked. There's zero debt and a pipeline of new projects which provide a high degree of comfort about future earnings growth.

Would I buy them? Yes, and I have. I buy stocks for different reasons. This stock represents another earnings-pump. I don't mind either the fancy P/E or the high price to book as I just want the dividends. A fair yield range would be 6%~4% which is consistent with China's banks as the cash generation comes about in the same way i.e. an owner who controls profits will continue to upcycle earnings whilst treating minorities fairly. Last year the company paid a total dividend of H\$1.943 and H126 was 15% ahead so I think a 10% lift for the full year is a lock. That implies an e'26 DPS of H\$2.14. A yield of 5.6% gets me the 1:4 downside/upside ratio I need for new positions which shakes out to a price of H\$38.20.



How's My Investing?

Performance summary, review of recent trading etcetera

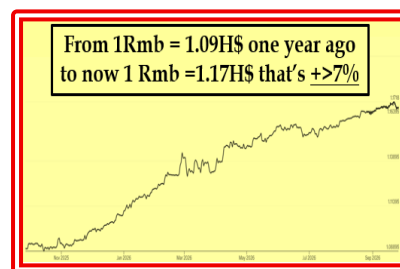
September — YTD, Performance:	-3.3% — -4.4%
Performance Since Inception (Nov. '24):	+19.5%
Cash Percentage of Portfolio:	12%

A Busy Month

Numbers, mostly, tell me what to do. When stock prices fall therefore I'm inclined to invest even though at those times sentiment will be poor. This was my September as new positions were established in [Trip.com](#) (#09961), [Haidilao](#) (#06862, both profiled in earlier 'Ramblers') and, as flagged above, China Resources Mixc (#01209). These stocks were acquired 50%, 43% and 24% below 2026 year-highs adding growth, high-quality consumer exposure and multi-year yield generation to the portfolio, all at compelling valuations. Conch Cement (#00914), where I can't see an earnings recovery soon, was sold to partly pay for the splurge. Cash was also run down which will be built up again in due course.

Thanks! China

Why China is managing up the value of the Rmb isn't important. The fact it's risen by over 7% in the last year, to investors, is. This is the amount by which most of next year's dividends will increase, at least, when translated into Hong Kong dollars and the effect is the same from an income perspective as adding 1.5 positions to the portfolio, for free.



Thanks! President Trump And The United States of America

The China-U.S. Summit was a masterclass in accident-avoidance. Statesmanlike, dignified, circumspect, the U.S. President was almost unrecognizable. Taiwan was shimmied around, common ground was established on Iran and AI whilst detente and calm prevailed. The sensation seeking always-on media missed the bigger picture.



Homework Is Required In The G2-World

President Xi's treatment in the U.S. hammered home the reality of the G2-World. Europe can't pull itself together, India is big but India, Japan isn't what it used to be, and the rest of the world? A patchwork of scary no-go areas or nice-holiday destinations. Most know something about one of the G2s but next to nothing of the other; homework is therefore required for those interested in avoiding more China-banks-style missed opportunities.

Datawatch

Key Releases In The Last Month

Two 😞 Two 😞 Four 😊

Trade 😊 : Aug. exports +25.0% (July +23.9%), imports +28.2% (July +27.5%). Factories must be humming; but hard to see effects elsewhere.

Prices 😊 : Aug. CPI 0.8% (July +0.5%), PPI +3.8% (July +3.5%). This looks like the Goldilocks scenario of some planners' imagination.

Credit 😞 : Aug. M2 +7.5% (July +7.7%), Outstanding Loan Growth +4.9% (July +5.1%). Is there a doctor in the house? This looks terminal.

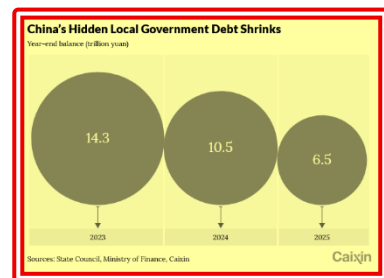
Consumption 😞 : Aug. retail sales +0.4% (July +0.6%). It could be worse, at least this series isn't contracting, yet (+1.3% YTD).

New Home Prices 😞 : Aug. -3.0% (July -3.2%). The size of the decline fell again, which is good. Check out the series in more detail [here](#).

Industrial Activity 😞 : Aug. +5.2% (July +4.5%). At least something in the broader economy reflects those amazing export numbers.

Business Confidence 😊 : Sep. PMIs. Mfg. 50.1 up from 49.8. Svcs. 50.2 from 49.0. Comp. 50.7 from 49.5. All the right side of 50, a nice change.

'Hidden' Local Government Debt 😊 : According to Caixin in an [article](#) on Sep. 1st progress is ongoing. Quivering-Nellies will point out off-books debt is merely being swapped for more visible liabilities; but progress is progress, forget the quanta. I'll take it.



That wraps it up for September. What's here isn't advice or recommendation, it's what I've been up to, how I'm looking at the world and a small piece of the market puzzle which, combined with yours, I hope may be of some use.

"He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me". Thomas Jefferson.

Good Luck with *your* investing. Feedback please to me at nial@nialgooding.com