



August 4, 2015 Company Report Rating: UNRATED

Share price (HK\$) 3.10

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Key Data

| | |
|---|-----------|
| 52Wk H/L(HK\$) | 3.94/2.50 |
| Issued shares (mn) | 1,723 |
| Market cap (HK\$ mn) | 5,358 |
| 3-mth avg daily turnover (HK\$ mn) | 17.3 |
| Major shareholder(s) (%): Shum Chiu Hung | 74.36 |

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

| | |
|----------------------|------|
| Property development | 96.9 |
| Property investment | 1.9 |
| Property management | 1.2 |

Source(s): Company, ABCI Securities

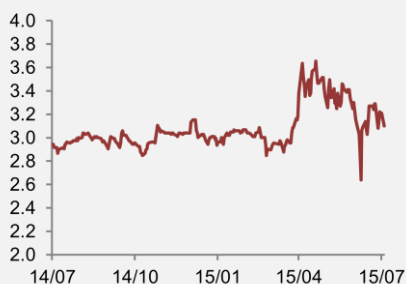
Share performance (%)

| | Absolute | Relative* |
|-------|----------|-----------|
| 1-mth | (0.3) | 6.5 |
| 3-mth | (10.0) | 1.9 |
| 6-mth | 3.6 | 4.3 |

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Times Property (1233 HK) 1H15 results review

- Core profit rose 21% yoy to RMB 447mn as revenue increased 78% yoy
- Gross margin dropped 8.7ppt yoy to 25.7%
- Net gearing improved from 100% in Dec 2014 to 90% in June 2015; its RMB 2bn of bond with a 6.75% coupon issued in July should help reduce the overall cost of debt
- 1H15 presales grew 27% yoy to RMB 7.6bn, of which Guangzhou accounted for 41% of total. Its current valuation is reasonable at 2.6x 2015E consensus P/E, which is lower than other tier-1 developers at 5.5x consensus P/E

1H15 results review. Times Property (Times) reported its interim results in early August. Core profit rose 21.2% YoY to RMB 447mn; revenue surged 78% YoY to RMB 4.04bn on the 108%YoY increase in GFA delivered. Gross margin declined by 8.7ppt YoY to 25.7%, as booked ASP dropped 12.3%YoY to RMB 7,880/sqm. With the government's supportive policies (rate and RRR cuts) in 2015, weak pricing resulted from oversupply in 2014 is likely to be reversed further in 2H15. Presales ASP in 1H15 (RMB 8,585/sqm) was 9% higher than booked ASP. Management is positive on maintaining its margin at its current level (~26%) or higher. In fact, ASP of its projects in Guangzhou has increased by 5%-10% over the past few months.

1H15 presales grew 27% yoy to RMB 7,632mn. The Group's presales jumped 27% to RMB 7,632mn; GFA sold went up by 68% YoY but ASP fell 24% yoy. As 41% of its presales being generated from Guangzhou, the Group's high exposure in a tier-1 city helps it to achieve stronger-than-peer presales growth of 27% YoY, as compared to the sector's average growth of 11%YoY. For 2015, Times aims to achieve RMB 16.5bn in presales (+10% YoY) with its RMB 28bn of saleable resources. Going forward, Times' additional saleable resources will be supplied by the 28 urban redevelopment projects in the pipeline as well as M&A projects with smaller developers.

Notable improvement on balance sheet. Net gearing improved from 100% in Dec 2014 to 90% in June 2015 despite the construction capex of RMB 2.5bn and land capex of RMB2.6bn land capex during the period. Cash collection rate improved to 83% in 1H15 from 80% in 2014. In July, its refinancing ability was further improved by the issuance of RMB 2bn of 5-year domestic bond with a 6.75% coupon rate in China. The rate is significantly lower than the US\$ 280mn of 5-year offshore USD bonds issued back in Mar 2015 with an 11.45% coupon rate. The Group will actively look for opportunities to redeem the USD bond by other cheaper funding channels. (continue next page)

Results and Valuation

| FY ended Dec 31 | 2011A | 2012A | 2013A | 2014A |
|---------------------------------------|-------|-------|-------|--------|
| Revenue (RMB mn) | 2,467 | 3,197 | 9,695 | 10,419 |
| Chg (% YoY) | 59.4 | 29.6 | 203.2 | 7.5 |
| Core Net Income (RMB mn) ¹ | 119 | 271 | 942 | 1,310 |
| Chg (% YoY) | 208.0 | 127.4 | 247.6 | 39.0 |
| Underlying EPS (RMB) | 0.09 | 0.20 | 0.53 | 0.74 |
| Chg (% YoY) | 208.0 | 121.5 | 170.2 | 39.0 |
| BVPS (RMB) | 1.8 | 2.0 | 2.3 | 3.1 |
| Chg (% YoY) | 11.8 | 12.2 | 14.2 | 36.2 |
| Underlying PE (x) | 27.9 | 12.6 | 4.7 | 3.4 |
| P/B (x) | 1.4 | 1.3 | 1.1 | 0.8 |
| ROE (%) | 5.1 | 10.0 | 23.6 | 24.1 |
| ROA (%) | 0.7 | 1.3 | 3.8 | 4.0 |
| DPS(HK\$) | - | - | 0.10 | 0.14 |
| Yield (%) | - | - | 4.17 | 5.78 |
| Net gearing ² (%) | 92.2 | 119.9 | 93.2 | 99.6 |

¹Core net income = Net profit - revaluation gain of investment properties and one-off items

²Net gearing = Net debt/Total equity

Source(s): Bloomberg, ABCI Securities



Valuation is cheaper than other tier-1 players. As property market in tier-1 cities has rebounded since early 2015, share prices of tier-1 developers (such as CIFI, 884 HK; Beijing Capital Land, 2868 HK; Shenzhen Investment, 604 HK) surged 27% YTD, compared to the sector's average increase of 9%. However, share price of this Guangzhou-focused developer declined 3% YTD. Trading at 2.6x 2015E consensus P/E and with a 7.6% yield (Tier-1 developers: 5.5x 2015E P/E; 6.4% yield), Times Property is yet to be realized by the market of its potential.

Risk factors: 1) Legal risk associated with Guangzhou's urban redevelopment projects; 2) Inability to refinance due to high gearing. 3) High concentration of shareholding was reported by SFC. Historical share price might be distorted. Liquidity and share price risks could also be higher than expected.

Exhibit 1: Time Property's 1H15 results

| <u>P&L</u> | 1H15 | 1H14 | YoY Chg (%) | <u>Operating statistics</u> | 1H15 | 1H14 | YoY Chg |
|--|--------------|--------------|-----------------|--------------------------------------|---------------|---------------|----------------|
| (RMB mn) | | | | | | | |
| Turnover | 4,040 | 2,267 | 78.2 | Presales GFA (mn sqm) | 0.89 | 0.53 | 67.7 |
| Cost of Sales & direct operating costs | (3,003) | (1,488) | 101.8 | Presales ASP (RMB/sqm) | 8,585 | 11,358 | (24.4) |
| Gross Profit | 1,037 | 779 | 33.1 | Presales Sales (RMBmn) | 7,632 | 6,020 | 26.8 |
| Gross Margin (%) | 25.7 | 34.4 | (8.7ppt) | GFA Delivered (mn sqm) | 0.49 | 0.24 | 107.6 |
| Selling and distribution costs | (138) | (163) | (15.5) | Booked ASP (RMB/sqm) | 7,880 | 8,985 | (12.3) |
| Administrative expense | (170) | (138) | 23.0 | Property sales booked (RMBmn) | 3,849 | 2,114 | 82.1 |
| EBIT | 730 | 478 | 52.6 | | | | |
| EBIT Margin (%) | 18.1 | 21.1 | (3.0ppt) | | | | |
| Other income, gains and losses | 17 | 17 | 3.5 | Balance sheet | Jun-15 | Dec-14 | HoH % |
| Fair value gain of investment properties | 34 | 71 | (51.7) | (RMB mn) | | | |
| Other exceptional items | 0 | 0 | na | Gross debt | 12,946 | 11,109 | 16.5 |
| Share of profit from JCE/ Associates | (0) | 2 | na | Cash | 6,634 | 5,418 | 22.4 |
| Finance cost | (85) | (53) | 59.1 | Net debt | 6,313 | 5,692 | 10.9 |
| Profit before tax | 696 | 515 | 35.3 | Net gearing (%) | 90% | 100% | (10ppt) |
| Tax | (234) | (103) | 126.8 | | | | |
| - LAT | (71) | (27) | 166.2 | | | | |
| - Enterprise tax | (163) | (76) | 112.9 | | | | |
| Profit after tax | 462 | 411 | 12.3 | | | | |
| Minority Interest | (6) | 4 | (277.8) | | | | |
| Net profit | 456 | 415 | 9.8 | | | | |
| Core net profit | 447 | 369 | 21.2 | | | | |
| Core net margin | 11.1 | 16.3 | (5.2ppt) | | | | |

Source(s): Company, ABCI Securities



Disclosures

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Definition of equity rating

| Rating | Definition |
|--------|---|
| Buy | Stock return \geq Market return rate |
| Hold | Market return – 6% \leq Stock return < Market return rate |
| Sell | Stock return < Market return – 6% |

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2010-2014

Time horizon of share price target: 12-month

Definition of share price risk

| Rating | Definition |
|-----------|--|
| Very high | $2.6 \leq$ 180 day volatility/180 day benchmark index volatility |
| High | $1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6 |
| Medium | $1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5 |
| Low | 180 day volatility/180 day benchmark index volatility < 1.0 |

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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