



Aug 10, 2016
Company Report
Rating: UNRATED

Share price (HK\$) 3.32

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Key Data

52Wk H/L(HK\$)	3.36/2.50
Issued shares (mn)	1,723
Market cap (HK\$ mn)	5,461
3-mth avg daily turnover (HK\$ mn)	4.20
Major shareholder(s) (%): Shum Chiu Hung	69.36

Source(s): Company, Bloomberg, ABCI Securities

FY15 Revenue breakdown (%)

Property development	97.0
Property investment	1.8
Property management	1.2

Source(s): Company, ABCI Securities

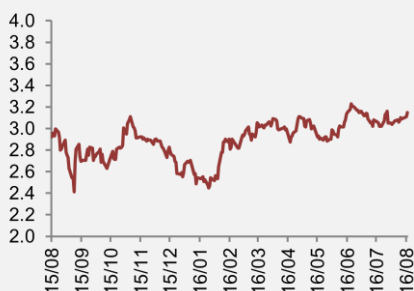
Share performance (%)

	Absolute	Relative*
1-mth	5.0	(2.7)
3-mth	8.9	(1.0)
6-mth	9.2	(4.7)

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Times Property (1233 HK)
1H16 results review

- 1H16 core profit rose 22.7% YoY to RMB 540mn as revenue increased 41% YoY; gross margin increase 0.6ppt YoY to 26.3% as booked ASP rose 4.4% to RMB 8,227/sqm
- Net gearing increased from 77% in Dec 2015 to 83% in June 2016, yet average cost of debt declined from 9.64% in FY15 to 8.59% in 1H16
- 1H16 presales surged 75%YoY to RMB13.4bn as GFA and ASP grew 35%YoY and 30%YoY

Impressive 1H16 results. 1H16 core profit of Times Property (Times) rose 22.7% YoY to RMB 540mn as revenue surged 41% YoY to RMB 5.7bn. Gross margin improved by 0.6ppt YoY to 26.3%, as booked ASP increased 4.4%YoY to RMB 8,227/sqm. However, core profit margin declined 1.4ppt YoY to 9.5%, as tax expenses jumped 86% on increased amount of commercial property booked. With the rising ASP, Times expect FY16 gross margin to be in the 26-28% range while core profit margin would improve to 11%. As of June 2016, net gearing increased 5.7ppt HoH to 83.0%, yet average cost of debt dropped from 9.64% in FY15, to 8.59% in 1H16 because of increased issuance of low-cost onshore debts. Finance cost should decline further as the high-cost USD bonds issued previously (with coupon rates of 11.4-12.6%) are eligible for redemption next year.

1H16 presales surged 75% to RMB 13,360mn, 62% of full-year target (RMB 21.5bn) completed. 1H16 presales jumped 75% YoY to RMB 13.4bn; GFA sold went up by 35% YoY while ASP rose 30% YoY to RMB 11,152/sqm. Sell-through rate stayed healthy at 60%. For 2H16, saleable resources are estimated to amount to RMB 27-28bn. The three major cities in PRD- Guangzhou, Foshan, and Zhuhai, accounted for 20%, 29%, and 41% of 1H16 presales, respectively. As of June 2016, Times's landbank of 12.1mn sqm spanned across 7 cities and had an average cost of RMB 2,753/sqm. Guangzhou accounted for 19% of the total landbank by area. Management is positive on the property market in Guangzhou because of the significant price gap existing between the city and Shenzhen even though the two are separated by only an hour in travelling distance. Besides, the Group has 37 redevelopment projects in the pipeline, of which 11 projects with a GFA of 2.38mn sqm would obtain relevant approvals in the near term. This would provide cheap land resources for the Group.

Trading at discounts to peers. Despite its positive presales outlook and cheap land resources from redevelopment projects, Times is trading at 2.4x consensus FY16 P/E and a 5.5% dividend yield, which is lower than the peer average of 6.4x P/E with a 4.9% yield. We believe the counter is undervalued.

Risk factors: 1) Legal risk associated with urban redevelopment projects; 2) Intensifying land competition. 3) Low daily share turnover value; 4) Increase in effective tax rate

Results and Valuation

FY ended Dec 31	2011A	2012A	2013A	2014A	2015A
Revenue (RMB mn)	2,467	3,197	9,695	10,419	13,638
Chg (% YoY)	59.4	29.6	203.2	7.5	30.9
Core Net Income (RMB mn) ¹	119	271	942	1,315	1,477
Chg (% YoY)	208.0	127.4	247.6	39.5	12.3
Underlying EPS (RMB)	0.09	0.20	0.53	0.76	0.86
Chg (% YoY)	208.0	121.5	170.2	43.6	12.3
BVPS (RMB)	1.8	2.0	2.3	3.1	4.0
Chg (% YoY)	11.8	12.2	14.2	36.2	30.6
Underlying PE (x)	32.0	14.4	5.3	3.7	3.3
P/B (x)	1.6	1.4	1.3	0.9	0.7
ROE (%)	5.1	10.0	23.6	24.2	20.8
ROA (%)	0.7	1.3	3.8	4.0	3.2
DPS(HK\$)	-	-	0.10	0.14	0.16
Yield (%)	-	-	3.64	5.05	5.51
Net gearing ² (%)	92.2	119.9	93.2	99.6	77.3

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

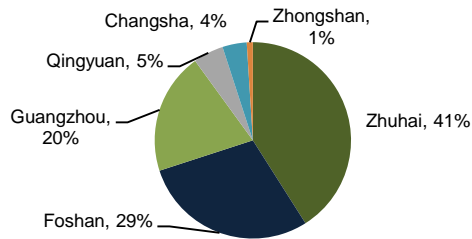


Exhibit 1: Time Property's 1H16 results

P&L	1H16		YoY Chg (%)	Operating statistics	1H16		YoY Chg
	RMBmn	RMBmn			1H16	1H15	
Turnover	5,699	4,040	41.1	Presales GFA (mn sqm)	1.20	0.89	34.8
Cost of Sales & direct operating costs	(4,201)	(3,003)	39.9	Presales ASP (RMB/sqm)	11,152	8,585	29.9
Gross Profit	1,499	1,037	44.5	Presales (RMBmn)	13,360	7,632	75.1
Gross Margin (%)	26.3	25.7	+0.6ppt	GFA Delivered (mn sqm)	0.66	0.49	35.4
Selling and distribution costs	(196)	(138)	42.0	Booked ASP (RMB/sqm)	8,227	7,880	4.4
Administrative expense	(260)	(170)	53.5	Property sales booked (RMBmn)	5,442	3,849	41.4
EBIT	1,043	730	42.9	Balance sheet	Jun-16	Dec-15	HoH %
EBIT Margin (%)	18.3	18.1	+0.2ppt		RMBmn	RMBmn	
Other income, gains and losses	34	17	97.2	Gross debt	18,965	15,907	19.2
Fair value gain of investment properties	16	34	(54.0)	Cash	9,346	8,749	6.8
Other exceptional items	0	0	na	Net debt	9,619	7,158	34.4
Share of profit from JCE/ Associates	(5)	(0)	na	Net gearing (%)	83.0%	77.3%	+5.7ppt
Finance cost	(123)	(85)	45.2				
Profit before tax	964	696	38.4				
Tax	(436)	(234)	86.1				
- LAT	(309)	(71)	332.6				
- Enterprise tax	(127)	(163)	(22.2)				
Profit after tax	528	462	14.3				
Minority Interest	22	(6)	(444.4)				
Net profit	550	456	20.6				
Core net profit	540	440	22.7				
Core net margin	9.5	10.9	(1.4ppt)				

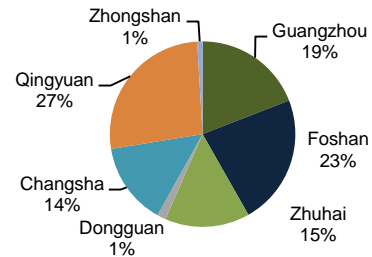
Source(s): Company, ABCI Securities

Exhibit 2: 1H16 presales breakdown (RMB 13,360mn)



Source(s): Company, ABCI Securities

Exhibit 3: Land bank breakdown as at Jun 2016 (Total GFA: 12 mn sqm)



Source(s): Company, ABCI Securities



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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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