



November 3, 2016

Sector Rating:  
Overweight

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**Key Data**

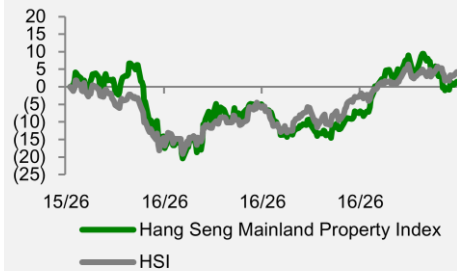
Avg.16E P/E (x)	7.0
Avg.16E P/B (x)	0.8
Avg.16E Dividend Yield (%)	4.9
Source(s): ABCI Securities estimates	

**Sector performance (%)**

	Absolute	Relative*
1-mth	(6.61)	(4.61)
3-mth	9.42	3.69
6-mth	8.29	(3.66)

\* Relative to Hang Seng Index  
Source(s): Bloomberg, ABCI Securities

**1-Year Sector performance (%)**



Source(s): Bloomberg, ABCI Securities

# China Property Sector Major downturn unlikely

- ❖ Since 2016 presale targets among developers are largely fulfilled, developers may slow down project launch in 4Q. Hence, impact of the Oct tightening would be seen in 2017
- ❖ Increasing corporate bond issuance onshore and offshore ease developers' pressure to cut price to maintain cash flow
- ❖ In 9M16, presales of major developers surged 69% YoY. We expect presales growth to slow to 10% YoY for 2017E
- ❖ Times Property (1233 HK) is our Top Small-/Mid-cap Pick for the sector. We also favor Logan (3380 HK)

**Effect of increased policy tightening to be seen in early 2017.** In Oct, over 15 cities announced the first or second round of property tightening measures, which involve raising the mortgage down payments for homes and various forms of home purchases restriction (HPR). As of Oct 2016, HPR was implemented in about 20 cities. We believe the full impact of these tightening policies will only be seen in early 2017, as developers may slow down project launch towards year-end since presale targets for 2016 are largely completed for most.

**Ample liquidity means price cut is unlikely for now.** In 9M16, Chinese developers issued an RMB 504bn of onshore corporate bonds, up 83% YoY. Bond yield in 3Q16 was just 4.4%, down 0.7ppt YoY or 0.3% QoQ. Driven by refinancing onshore, offshore USD bond yield also trended lower to 5.8% in 3Q16, down 2.7ppt YoY. In 3Q16, however, onshore corporate bond issuance declined substantially by 33%. This could be due to: 1) tightening of approval for developers' corporate bond by regulators; 2) developers have used up the onshore issuance quota set at 40% of onshore NAV. As a result, USD bond issuance rebounded substantially in 3Q16. We believe ample liquidity onshore and offshore allows developer to refinance or gear up further even when cash flow is impaired by recent property tightening measures.

**Expect presales to grow 10% YoY in 2017, 5% YoY in 2018E-19E.** 9M16 presales of 22 major developers jumped 69% YoY to RMB 1,802bn; on average, 90% of 2016 presales targets have been reached. We expect developers to slow down project launch to avoid setting a high base for 2017. By deferring some of the presale, we think developers can achieve a 10% YoY growth in 2017E. The impact on HPR will be more prominent in 2018-19 as demand from first-home buyers depletes and investment demand shrinks.

**Favor PRD cities; Times Property (1233 HK) as top small-mid cap pick.** Based on our recent visits to Nanjing, Hangzhou, Ningbo, and Qingyuan, we notice the magnitude of tightening vary significantly across cities. In our view, the PRD cities (except Shenzhen) are less proactive in enforcing the tightening policies. Austerity moves have started taking place in Dongguan and Foshan in early Oct. In contrast, a second round of property tightening has been enforced in YRD cities such as Nanjing and Suzhou after the initial one in Aug. Times Property is our Top Small-/Mid-Cap Pick because of (1) its high exposure to Guangzhou/Foshan property markets; (2) Redevelopment pipeline with superb margins; (3) attractive valuation. We also like Logan, given its Logan City project in Huizhou would capture huge investment demand from Shenzhen as a result of the HPR.

**Risk factor:** 1) Increased policy tightening; 2) Tightening on bond issuance.

**Sector Valuation Summary (data as of Nov 1, 2016)**

Company	Ticker	Current Rating	Previous Rating	Price (HK\$)	TP (HK\$)	FY16E P/E(x)	FY17E P/E (x)	FY16E P/B (x)	FY17E P/B (x)	FY16E Yield (%)	FY17E Yield (%)
Times	1233	BUY	BUY	3.59	5.70	3.0	2.3	0.6	0.5	6.7	8.8
SZI	604	BUY	BUY	3.43	4.10	8.7	6.9	0.7	0.7	5.8	7.2
Logan	3380	BUY	BUY	3.17	4.30	5.9	5.0	1.0	0.9	4.7	6.3
Yuzhou	1628	BUY	BUY	2.95	3.30	5.1	3.8	1.0	0.9	7.1	9.5
CIFI	884	BUY	BUY	2.30	2.90	4.4	3.8	0.9	0.8	6.5	7.0
Jinmao	817	BUY	BUY	2.12	3.40	6.5	5.1	0.6	0.6	4.9	6.4
LVGEM	95	BUY	BUY	2.40	2.70	15.1	6.7	2.0	1.7	2.4	5.3
COLI	688	BUY	BUY	24.10	27.40	6.9	5.2	1.1	1.0	4.3	5.8
Fantasia	1777	BUY	BUY	1.02	1.40	7.6	5.3	0.5	0.4	4.0	5.7
Evergrande	3333	BUY	BUY	5.16	6.60	10.6	4.5	0.5	0.6	4.7	11.0
CSC	1668	HOLD	HOLD	1.68	1.60	12.9	8.7	0.5	0.5	2.6	3.8
Sunac	1918	HOLD	HOLD	5.37	5.10	5.4	5.5	0.7	0.7	3.3	3.3
Greentown	3900	HOLD	HOLD	6.30	5.40	9.8	6.6	0.5	0.5	2.0	3.0

Source(s): Companies, ABCI Securities estimates

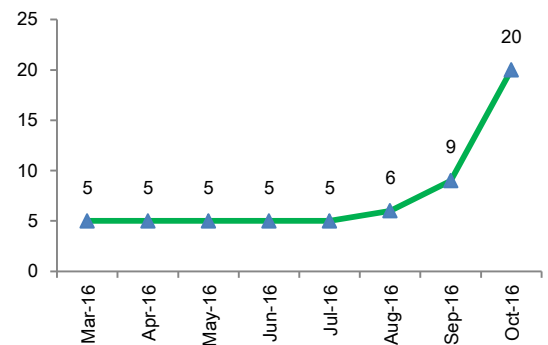
## Far from the point of inflection

### Impact of increased policy tightening to be seen in 2017

In a bid to avoid potential bubbles in the property sector, the Chinese government has implemented tightening measures in key tier-1/2 cities in Sep and Oct, the traditional peak season of the housing market. Over 15 cities have announced their first or second round of tightening policies by Oct, as compared to just 4 in Sep. Most cities raise their mortgage down payments for first or multiple homes and introduce home purchases restriction (HPR), though the version varies dependent on the region. As of Oct 2016, about 20 cities have already enforced HPR, which should reduce the overall purchasing power. We believe the government is determined to rein in the overheating property market. Back in 2011, the no. of cities with HPR in place was 48.

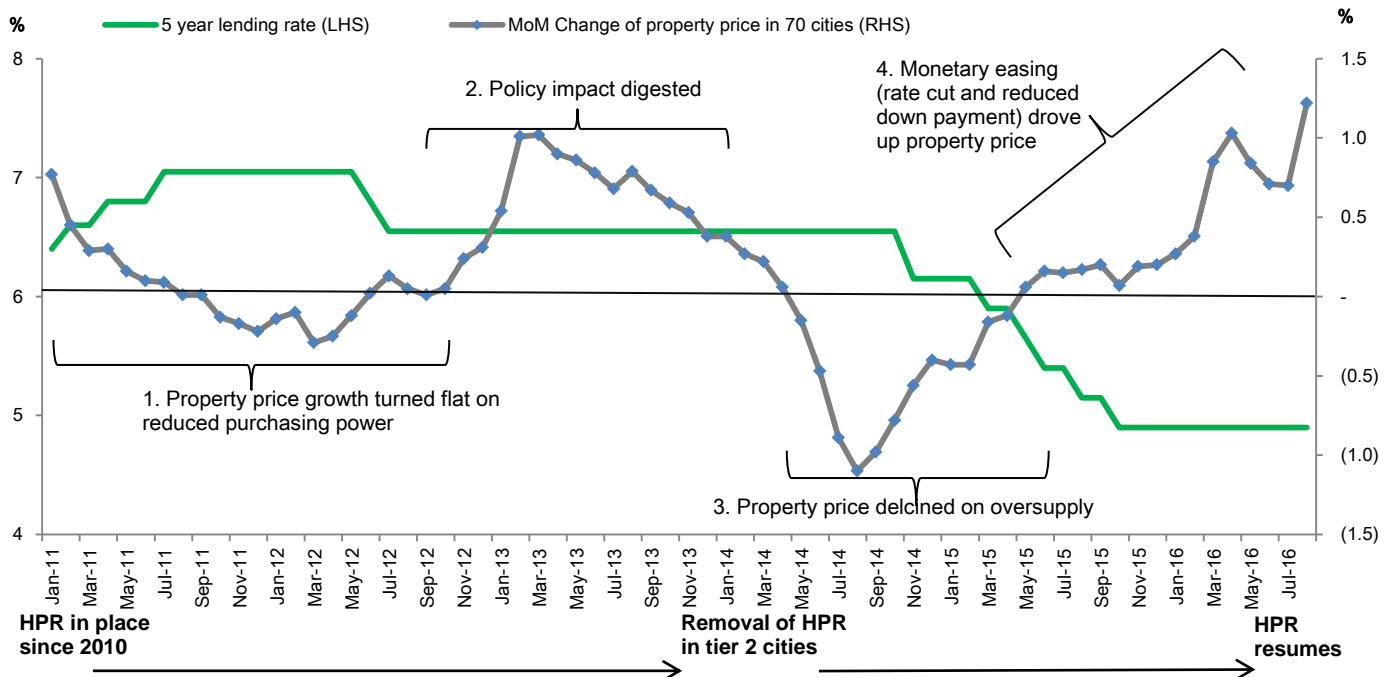
**Exhibit 1: Cities announced new property tightening measures (i.e. increased mortgage down payment requirements and HPR)**

Month	Cities announced new tightening measures	No. of cities
Mar-16	Shenzhen, Shanghai	2
Jun-16	Hefei	1
Aug-16	Nanjing, Suzhou, Wuhan	3
Sep-16	Xiamen, Hangzhou, Beijing, Tianjin	4
Oct-16	<b>New:</b> Guangzhou, Chengdu, Wuxi, Jinan, Zhengzhou, Zhuhai, Foshan, Dongguan, Fuzhou <b>second round tightening:</b> Shenzhen, Hefei, Nanjing, Suzhou, Wuhan, Xiamen	15

**Exhibit 2: No. of cities with HPR in place**


Source(s): Local governments, ABCI Securities

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**Exhibit 3: Five-year term benchmark lending rate vs. NBS property price change**


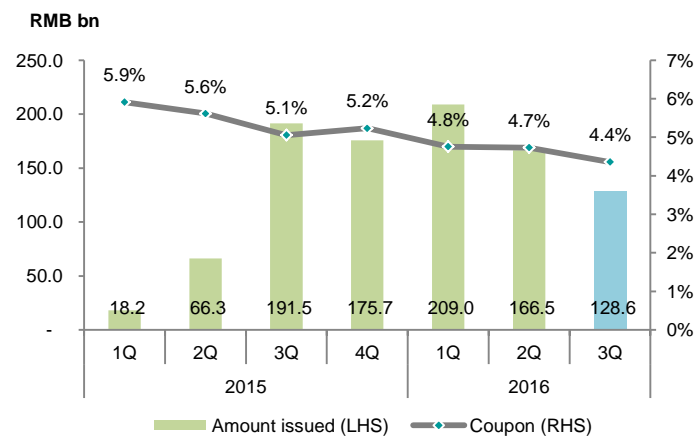
Source(s): NBS, ABCI Securities

We believe full impact of the tightening policies will only be apparent in early 2017. Developers may slow their presales launch in 4Q as most have nearly fulfilled their 2016 targets. For 4Q16, we expect property price will remain flat. Taking reference from the previous tightening cycle in 2011-12, growth in national property price decelerated for 7 months before entering the negative territory that lasted for another 10 months. Over time, property price momentum resumed as market gradually digested the impact of HPR. The significant drop occurred in 2014 as inventory built up while first-home buyers' demand depleted. Developers cut prices to stimulate sales for cash flow, hence property price spiraled down.

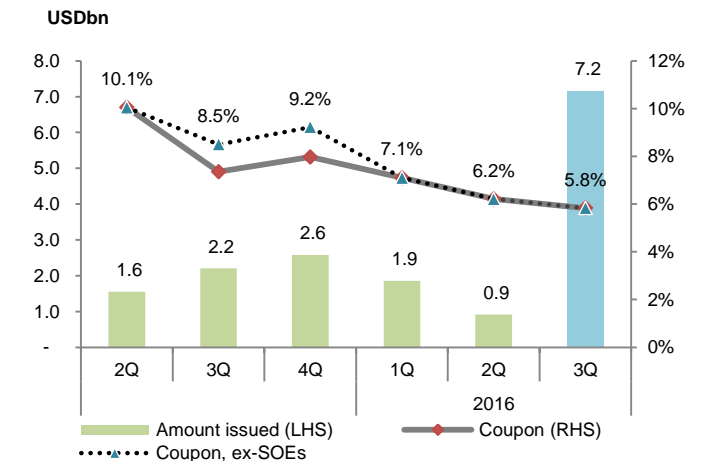
### With ample liquidity, developers are in no urgency to cut price

Although the magnitude of the latest tightening seems to be comparable to that in 2011, we think developers are in a better position. In 9M16, Chinese developers issued an RMB 504bn of onshore corporate bonds, up 83% YoY. Bond yield in 3Q16 was just 4.4%, down 0.7ppt YoY or 0.3% QoQ. Driven by refinancing onshore, offshore USD bond yield also trended lower to 5.8% in 3Q16, down 2.7ppt YoY. We believe ample liquidity onshore and offshore would allow developer to refinance or gear up even if cash flow is disrupted by recent tightening. In 3Q16, however, onshore corporate bond issuance declined substantially by 33%. This may be due to: 1) tightening of approval for developers' corporate bond by regulators; 2) developers have used up the onshore issuance quota set at 40% of onshore NAV. As a result, USD bond issuance rebounded substantially in 3Q16. Besides, issuance of non-public corporate bonds (which are not subjected to 40% NAV cap) and Panda bonds (using offshore assets to raised RMB funding domestically) has turned active. E.g. Yuzhou (1628 HK), Powerlong (1238 HK), Shimao (813 HK) and Country Garden (2007 HK) raised a total of RMB 8.2bn of panda bonds under non-public private placement in Sep 2016.

In Oct, Shanghai Stock Exchange announced that they will impose minor restrictions on developers' bond issuance: 1) Proceed raised cannot be used for land acquisition; 2) Developers involved in land sites that are overbid would not be allowed to issue corporate bond. Rumors have it that onshore bond issuance for all developers would be curbed in the near term as the government seeks to clamp down on the property market. We, however, believe such restriction is unlikely. Constricting the funding channels may slow down construction, hence reducing future housing supply in the long term. Moreover, developers may instead issue trust loans with a complex structure and a higher cost. Overall, we believe the government is aiming for a steady cooling of the sector instead of a hard landing. Such funding restriction, if applied, is most likely to be confined to smaller unlisted players.

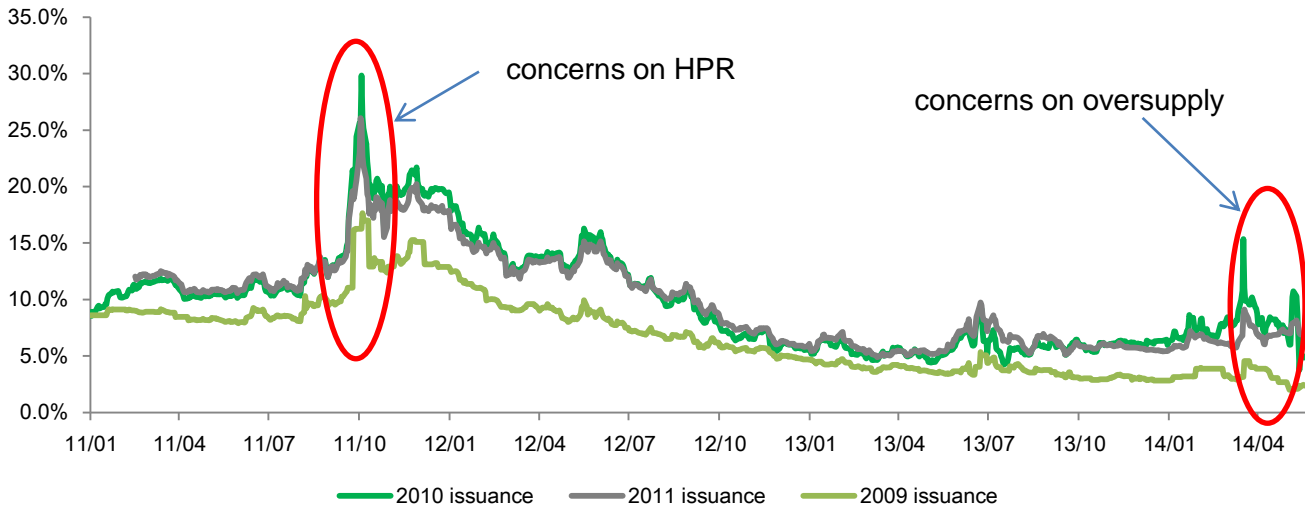
**Exhibit 4: Onshore corporate bond issuance (1Q15-3Q16)**


Source(s): Bloomberg, ABCI Securities

**Exhibit 5: Offshore USD bond issuance (1Q15-1Q16)**


Source(s): Bloomberg, ABCI Securities

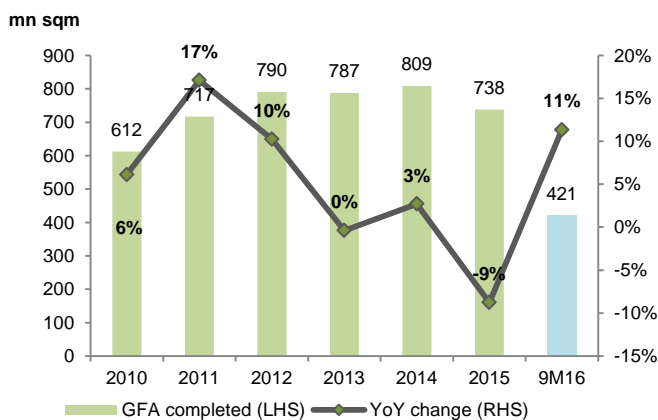
Offshore bond market took a great hit in the previous downturn in 2011 and 2014. Country Garden has a long trading history of offshore USD bond issuance. Its bond yield rose from ~12% to the peak of 30% in 2011 due to offshore investors' concerns over China's policy tightening. Its bond yield jumped ~5ppt to 15% in 2014 on oversupply concerns in China. Given the heavy reliance of offshore bonds before 2015, developers were unable to refinance their debts that easily and price cut became necessary to increase cash inflow for debt repayments. With the onshore bond market widely opened still, developers are in no urgency to cut price in our view.

**Exhibit 6: Bond yield of Country Garden**


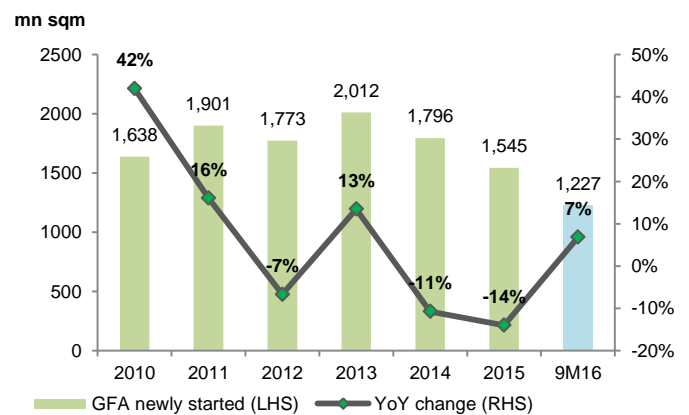
Source(s): Bloomberg, ABCI Securities

### Will oversupply emerge again?

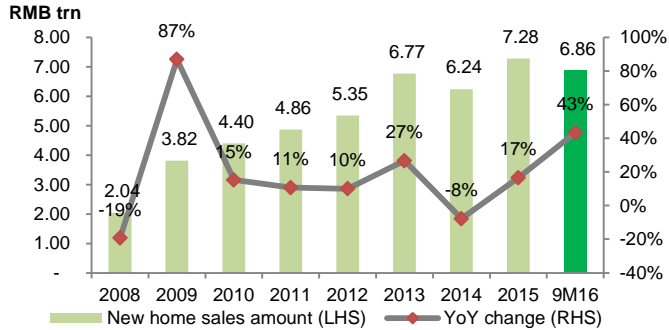
In 9M16, residential completion and new construction starts jumped 11% YoY and 7% YoY, reversing the downtrend in 2014-15. We think the supply growth is still reasonable given the dramatic rise in property demand (9M16 new home sales: +43% YoY). Although HPR was implemented in 2011, new home sales achieved a double-digit growth during 2011-13 on huge first-home buyer demand. It took almost 3 years for such demand to subside before oversupply became apparent in 2014 when new home sales dropped 8% YoY.

**Exhibit 7: Completion of residential properties**


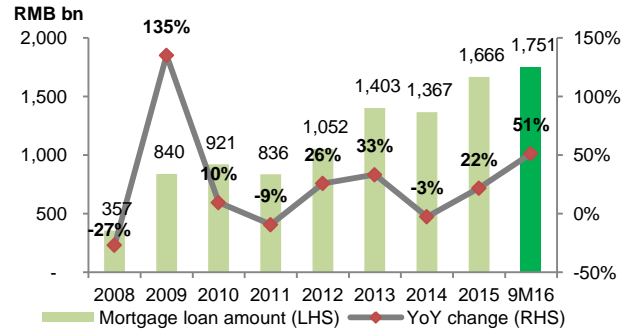
Source(s): NBS, ABCI Securities

**Exhibit 8: New construction starts for residential properties**


Source(s): NBS, ABCI Securities

**Exhibit 9: New home sales**


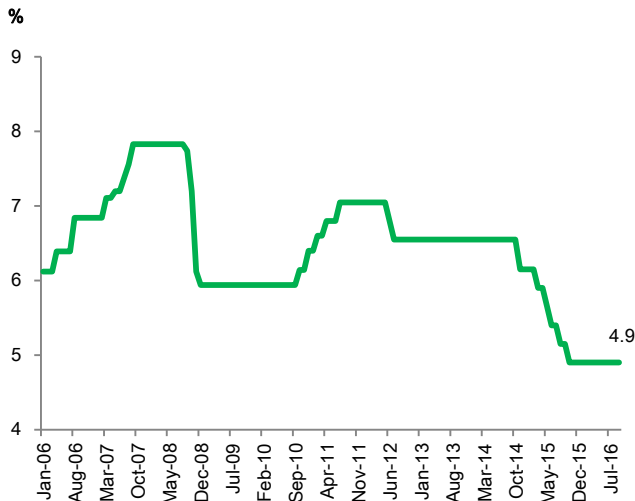
Source(s): NBS, ABCI Securities

**Exhibit 10: Mortgage loan growth in China**


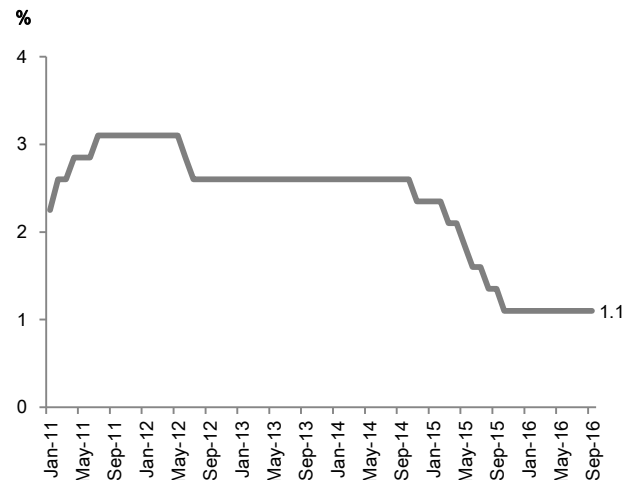
Source(s): NBS, ABCI Securities

### Next downturn may not occur until interest rate rose 150bps

After multiple rate cuts since 2014, 5-year lend rate has dropped to the 10-year low at 4.9%. Homebuyers enjoyed lower monthly mortgage installments on reduced borrowing cost and purchasing power improved considerably. More importantly, the low deposit rate at 1.1% has driven individuals to purchase property as investment for better returns. Compared to the A-share market, property is a safer investment given its appreciation track record in the past decade. We believe a downturn in property market would not occur until interest rate returns to the historical average level — a 150bps hike would be necessary for a meaningful correction, in our view.

**Exhibit 11: 5-year lending rate in China**


Source(s): NBS, ABCI Securities

**Exhibit 12: 1-year deposit rate in China**


Source(s): NBS, ABCI Securities

### Expect presales to grow 10%YoY in 2017, 5%YoY in 2018-19

In 9M16, presales of 22 major developers jumped 69% YoY to RMB1,802bn, while GFA presold rose 55%YoY and ASP was up 9% YoY. As at Sep 2016, developers achieved 90% of their 2016 targets, while a few (e.g. Country Garden, Longfor, Times) have exceeded their targets in just 9 months. We



expect developers to slow their new project launch to avoid setting a high base for 2017. Hence, the full policy impact may only be observed in 2017. By deferring their presales partially to 2017, we think developers can achieve a 10% YoY growth in 2017E. Impact of HPR would be more prominent in 2018-19 as demand from first-home buyers subside and investment activities calm.

Exhibit 13: 9M16 presales

Developer	9M16						2016 Target	Achieved ratio
	Amount	YoY	GFA	YoY	ASP	YoY		
	RMBbn	%	000 sqm	%	RMB/sqm	%	RMBbn	
1 Country Garden	225.6	167%	27,790	114%	8,117	25%	220.0	102.5%
2 CIFI	41.3	139%	2,291	72%	18,033	39%	43.8	94.3%
3 Evergrande	280.6	118%	34,577	106%	8,114	6%	300.0	93.5%
4 Yuzhou	18.7	116%	1,438	55%	12,971	39%	22.0	84.8%
5 Sunac	87.7	99%	4,206	91%	20,846	4%	110.0	79.7%
6 Longfor	69.3	95%	4,576	57%	15,146	24%	62.0	111.8%
7 Times	21.6	83%	1,908	38%	11,332	33%	21.5	100.6%
8 Beijing Capital	30.6	70%	1,559	-9%	19,634	86%	38.0	80.6%
9 Logan	21.6	63%	1,721	-8%	12,528	77%	24.0	89.8%
10 Sino-Ocean	34.2	55%	2,079	21%	16,455	28%	48.0	71.3%
11 Greentown	68.6	51%	3,480	40%	19,713	8%	65.0	105.5%
12 Jinmao	25.4	48%	1,127	45%	22,505	2%	29.5	85.9%
13 COLI*	171.5	47%	10,401	22%	16,486	20%	210.0	81.6%
14 Vanke	262.5	45%	19,871	38%	13,210	5%	300.0	87.5%
15 Poly-A	157.5	43%	11,799	37%	13,350	5%	NA	NA
16 Agile	42.5	43%	4,252	27%	9,984	13%	46.0	92.3%
17 R&F	48.5	43%	3,694	31%	13,129	10%	60.0	80.8%
18 SZI	18.0	30%	767	-4%	23,447	35%	18.5	97.1%
19 Yuexiu	22.5	27%	1,930	22%	11,664	5%	25.8	87.3%
20 KWG	17.5	26%	1,350	30%	12,961	-3%	22.0	79.5%
21 CR Land	79.6	25%	6,072	16%	13,107	8%	96.0	82.9%
22 Shimao	56.6	21%	4,135	6%	13,690	14%	67.0	84.5%
<b>Total</b>	<b>1,801.6</b>	<b>69%</b>	<b>151,023</b>	<b>55%</b>	<b>11,930</b>	<b>9%</b>	<b>1,829</b>	<b>89.9%</b>

Source(s): Companies, ABCI Securities

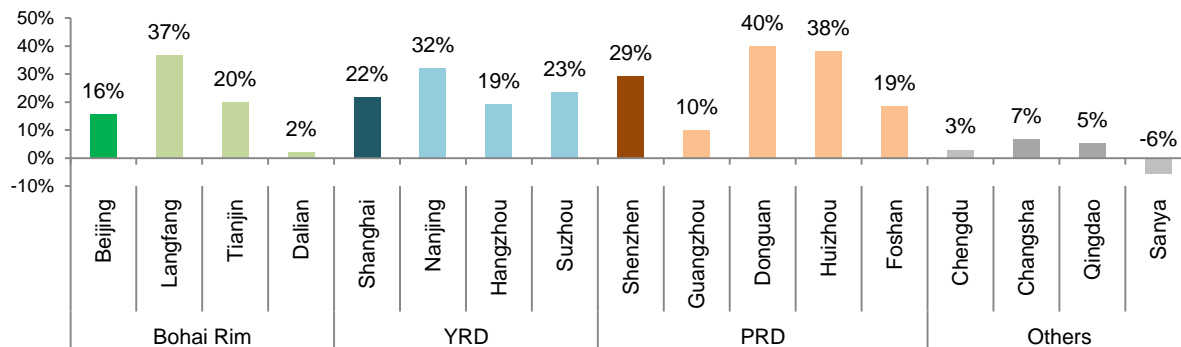


## Significant downturn unlikely; favor cities with less policy interference

We believe a significant downturn in China's property market is unlikely in the next 6-12 months because of strong first-home buyers' demand in the near term. Our recent site visit to Nanjing, Hangzhou, Ningbo and Qingyuan suggested that tightening magnitude varies greatly across cities. To outperform, developers would need to increase exposure in the "right" cities, meaning those with milder forms of austerity measures in place. In our view, the PRD cities (except Shenzhen) are less proactive in enforcing the tightening policies. Dongguan and Foshan have tightened property measures only in early Oct. In contrast, YRD cities, such as Nanjing and Suzhou, conducted the second round of tightening in Aug. Fast-growing cities, such as Huizhou where property price soared 38% YTD, has no HPR implemented so far. Hence, we favor developers with high exposure in PRD cities, especially in Guangzhou and Foshan since they are "laggards" in terms of property price.

We roll over our NAV estimates to 2017E and elevate our discount to NAV assumption from 50% to 55% on average based on the higher policy risk. We initiate our coverage on Times Property (1233 HK) with a BUY recommendation because of its (1) high exposure in Guangzhou and Foshan; (2) Redevelopment pipeline that entails high margins; (3) attractive valuation. Times Property is our top small-mid cap pick for the China Property sector. We also favor Logan (3380 HK), considering the Logan City project in Huizhou should capture huge investment demand from Shenzhen as a result of HPR.

Exhibit 14: Property price of key cities (9M16)



Source(s): Fang.com, ABCI Securities

Exhibit 15: TP changes in our China Property coverage universe

Company	Ticker	Rating		NAV (HK\$)		Discount (%)		TP (HK\$)		Change (%)
		Previous	Current	Previous	Current	Previous	Current	Previous	Current	
Times	1233	NA	BUY	NA	14.27	NA	60%	NA	5.70	NA
SZI	604	BUY	BUY	9.12	10.13	50%	60%	4.60	4.10	-10.9%
Logan	3380	BUY	BUY	9.45	10.85	50%	60%	4.70	4.30	-8.5%
Yuzhou	1628	BUY	BUY	8.35	8.29	60%	60%	3.30	3.30	0.0%
CIFI	884	BUY	BUY	6.42	7.24	50%	60%	3.20	2.90	-9.4%
Jinmao	817	BUY	BUY	8.96	8.50	60%	60%	3.60	3.40	-5.6%
LVGEM	95	BUY	BUY	5.46	6.68	50%	60%	2.70	2.70	0.0%
COLI	688	BUY	BUY	31.66	34.28	0%	20%	31.70	27.40	-13.6%
Fantasia	1777	BUY	BUY	3.50	3.50	60%	60%	1.40	1.40	0.0%
Evergrande	3333	BUY	BUY	12.08	13.16	40%	50%	7.30	6.60	-9.6%
China South City	1668	HOLD	HOLD	3.21	3.21	50%	50%	1.60	1.60	0.0%
Sunac	1918	HOLD	HOLD	15.55	14.60	65%	65%	5.40	5.10	-5.6%
Greentown	3900	HOLD	HOLD	12.23	13.43	50%	60%	6.10	5.40	-11.5%

Source(s): Companies, ABCI Securities estimates

**Exhibit 16: Valuation table**

China Property	Ticker	Rating	TP	Mkt cap	Share Price	Performance			Discount to NAV	Valuation									
						3M	YTD	2015		P/E			Yield (%)			P/B			
						(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)	2015A	2016E	2017E	2015A	2016E	2017E	2015A	2016E
<b>Residential :</b>																			
1	COLI	688 HK	BUY	27.40	264.0	24.10	(7)	(9)	22	(29.70)	8.0	6.9	5.2	3.8	4.3	5.8	1.2	1.1	1.0
2	Vanke-H	2202 HK	NR		314.5	20.75	16	(4)	30	(8.13)	17.7	9.7	8.2	4.0	4.5	5.3	2.0	1.8	1.6
3	CR Land	1109 HK	NR		134.3	19.38	(1)	(12)	13	(44.80)	9.5	7.9	6.8	3.0	3.4	4.0	1.2	1.0	0.9
4	Country Garden	2007 HK	NR		91.4	4.14	29	36	11	(29.79)	8.2	7.9	6.5	3.6	3.9	4.7	1.2	1.1	1.0
5	Longfor	960 HK	NR		58.3	9.98	(8)	(10)	19	(43.80)	7.3	6.4	5.6	4.1	4.6	5.2	0.9	0.8	0.7
6	Evergrande	3333 HK	BUY	6.60	70.6	5.16	5	(17)	143	(60.79)	32.6	10.6	4.5	8.4	4.7	11.0	0.5	0.5	0.6
7	Guangzhou R&F	2777 HK	NR		35.4	11.00	(5)	31	6	(37.72)	5.4	4.8	4.2	12.5	8.3	9.1	0.7	0.7	0.6
8	Shimao	813 HK	NR		35.3	10.28	1	(20)	(15)	(62.79)	5.0	4.8	4.4	6.4	6.6	7.2	0.6	0.6	0.5
9	SZI	604 HK	BUY	4.10	26.2	3.43	7	0	70	(66.14)	11.7	8.7	6.9	4.7	5.8	7.2	0.7	0.7	0.7
10	Sino Ocean	3377 HK	NR		24.7	3.29	(1)	(31)	18	(66.08)	9.0	6.7	5.5	3.6	5.2	6.1	0.5	0.5	0.4
11	Sunac	1918 HK	HOLD	5.10	18.3	5.37	10	(6)	(22)	(63.21)	4.6	5.4	5.5	4.1	3.3	3.3	0.8	0.7	0.7
12	Logan	3380 HK	BUY	4.30	17.6	3.17	6	27	13	(70.79)	7.1	5.9	5.0	4.4	4.7	6.3	1.1	1.0	0.9
13	Agile	3383 HK	NR		17.1	4.37	(3)	12	2	(60.78)	6.2	5.7	4.8	3.2	5.6	6.7	0.4	0.4	0.4
14	CIFI	884 HK	BUY	2.90	15.5	2.30	14	43	21	(60.89)	5.8	4.4	3.8	6.1	6.5	7.0	1.0	0.9	0.8
15	KWG	1813 HK	NR		13.7	4.48	(6)	(16)	14	(73.96)	4.1	3.8	3.4	7.4	8.2	9.2	0.5	0.5	0.4
16	Yuexiu Properties	123 HK	NR		14.0	1.13	12	(12)	(7)	(62.95)	9.9	8.9	7.4	4.1	4.2	4.9	0.4	0.4	0.4
17	Greentown	3900 HK	HOLD	5.40	13.6	6.30	12	(18)	0	(53.08)	15.8	9.8	6.6	0.0	2.0	3.0	0.5	0.5	0.5
18	Yuzhou	1628 HK	BUY	3.30	11.3	2.95	27	52	17	(64.41)	5.9	5.1	3.8	6.1	7.1	9.5	1.1	1.0	0.9
19	BJ Capital Land	2868 HK	NR		9.1	3.00	1	(8)	29	(45.45)	8.5	5.3	4.2	7.6	6.5	8.0	0.6	na	na
20	LVGEM	95 HK	BUY	2.70	11.3	2.40	27	(0)	9	(64.09)	269.9	15.1	6.7	0.4	2.4	5.3	2.2	2.0	1.7
21	Fantasia	1777 HK	BUY	1.40	5.9	1.02	(6)	17	15	(70.87)	9.4	7.6	5.3	4.9	4.0	5.7	0.5	0.5	0.4
22	Times Property	1233 HK	BUY	5.70	6.2	3.59	16	41	(14)	(74.86)	3.7	3.0	2.3	5.0	6.7	8.8	0.8	0.6	0.5
23	COGO	81 HK	NR		6.6	2.89	29	(12)	(17)	(68.72)	7.7	5.6	4.2	0.0	1.0	1.3	0.6	0.5	0.5
<b>HK Listed Avg</b>							<b>8</b>	<b>4</b>	<b>16</b>	<b>(55.82)</b>	<b>20.6</b>	<b>7.0</b>	<b>5.3</b>	<b>4.6</b>	<b>4.9</b>	<b>6.2</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
<b>- Large cap (&gt;HKD30b), ex Evergrande</b>							<b>4</b>	<b>2</b>	<b>12</b>	<b>(36.66)</b>	<b>8.7</b>	<b>6.9</b>	<b>5.8</b>	<b>5.3</b>	<b>5.1</b>	<b>5.9</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>
<b>- Small-mid cap (&lt;HKD30b), ex LVGEM</b>							<b>10</b>	<b>6</b>	<b>10</b>	<b>(63.95)</b>	<b>7.7</b>	<b>6.0</b>	<b>4.9</b>	<b>4.3</b>	<b>5.1</b>	<b>6.2</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>
<b>Commercial:</b>																			
1	SOHO China	410 HK	NR		21	4.01	12	26	(21)	(49.88)	43.1	40.3	36.1	0.0	6.3	4.1	0.5	0.5	0.5
2	HLP	101 HK	NR		78	17.24	1	2	(16)	(50.35)	17.7	15.1	15.5	4.3	4.4	4.4	0.6	0.6	0.6
3	China South City	1668 HK	HOLD	1.60	13	1.68	4	(1)	(47)	(47.64)	11.1	12.9	8.7	3.0	2.6	3.8	0.5	0.5	0.5
4	Hui Xian REIT	87001 HK	NR		20	3.19	(7)	4	3	(27.09)	22.6	14.5	13.3	7.8	8.9	9.2	0.6	0.6	0.6
5	Jinmao	817 HK	BUY	3.40	23	2.12	(2)	(17)	25	(75.05)	7.8	6.5	5.1	3.8	4.9	6.4	0.6	0.6	0.6
6	Shui On Land	272 HK	NR		15	1.91	(9)	(9)	20	(46.57)	na	8.1	7.4	2.5	2.7	2.5	0.4	0.3	0.3
7	Yuexiu REIT	405 HK	NR		13	4.45	(5)	14	15	na	51.4	24.6	23.7	6.4	6.8	6.5	0.8	0.9	0.9
<b>Commercial Avg</b>							<b>(1)</b>	<b>3</b>	<b>(3)</b>	<b>(49.43)</b>	<b>25.6</b>	<b>17.4</b>	<b>15.7</b>	<b>4.0</b>	<b>5.2</b>	<b>5.3</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>

\* Data as at Nov 1, 2016

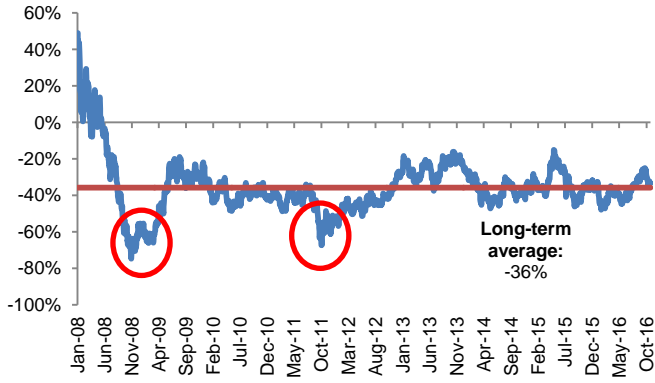
Source(s): Bloomberg, ABCI Securities estimates

## Historical valuation

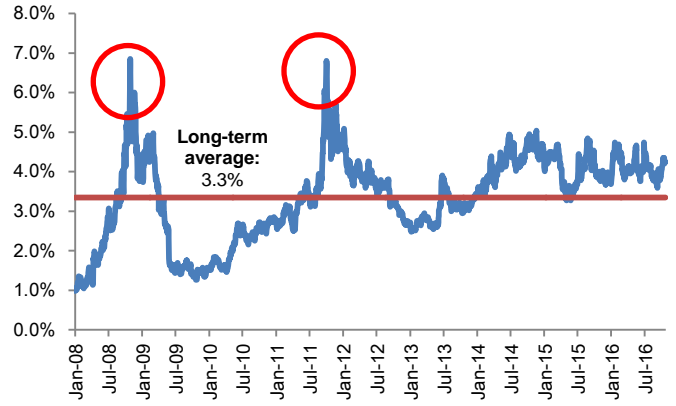
Based on our selected sample of developers listed before 2008 (e.g. COLI, CR Land, Country Garden, Agile, etc.), we have identified 2 major valuation troughs in 2008 and 2011 when the NAV discounts were as deep as 70%-75%. As the downturns were mainly triggered by the global financial crisis in 2008 and the European debt crisis in 2011, we believe chances of a similar trough would be fairly low given that no major crisis of such magnitude breaks out again. The ability of the Chinese developers to repay USD bonds has raised concerns – their bond yields were as high as 20-30% during 2011 and 2014, which made re-financing almost impossible. That said, in the past 8 years, Kaisa (1638 HK) was the only major Chinese developer who defaulted on its bond due to company-specific issues.

Policy tightening would affect developers, but onshore and offshore bond issuances have remained healthy so far. Moreover, dividend yield has become an increasingly important valuation metric these days. The average dividend yield is ~4% at present (vs. the 3.3% historical average); hence, we think a significant de-rating is unlikely.



**Exhibit 17: Historical discount to NAV**


Source(s): Bloomberg, ABCI Securities

**Exhibit 18: Historical dividend yield**


Source(s): Bloomberg, ABCI Securities

## Key takeaways from our site visits

We have recently joined the reverse roadshow organized by Jinmao (817 HK) to visit their projects in Nanjing, Hangzhou, and Ningbo. Separately, we have also conducted a site visit to the Qingyuan project of Sunshine 100 (2608 HK). Our discussions with the local sales teams revealed that tightening magnitude varies significantly across cities. Aside from HPR and mortgage restriction, Nanjing also applies presales restriction (if projected price presents a significant premium to nearby projects). Ningbo's down payment stays at 20% for first-home buyers and HPR is not applicable to non-local purchasers.

### Nanjing: land market frenzy prompted rounds of tightening

- Jinmao's Qinglong Mountain Primary development (QMPD):** The QMPD project has a total GFA of 3.5mn sqm, of which 2.8mn sqm are of residential use. The project is located 12km for city center and the government plans to construct the metro line 12 passing through the site. The relocation process is 90% completed for phase 1 and 80% for phase 2. Under the agreement, Jinmao, which owns 80% of the JV, will be responsible for the overall master planning and construction of public facilities and infrastructure; local government will conduct all relocation activities. The total investment cost of RMB 17bn (including RMB 9.1bn cost for relocation) will incur on a rolling basis, as Jinmao has the flexibility to control the timing for land tendering.

As Nanjing's property price has been rallying since end-2015, land price rose sharply, surging from RMB 10k/sqm in Oct 2015, to RMB19k/sqm in July 2016. The emergence of land kings in Nanjing encouraged homeowners and developers to raise price further, driving the government to impose a price cap on land auction. Once the upper limit is reached in an auction, the winning bidder will be determined by ballot.

Exhibit 19: Nanjing QMPD project



Source(s): Company, ABCI Securities

Exhibit 20: Nanjing QMPD project



Source(s): Company, ABCI Securities

- Nanjing Jinmao Residence:** Jinmao Residence is Jinmao's secondary development on its QMPD project. The project's first launch in Sep received overwhelming response and 110ksqm was sold in an hour. The project achieved an ASP of RMB 24-25k/sqm and gross margin is estimated to be 20%. About 40% of the buyers were non-local, mainly from Shanghai and Fujian. As Nanjing has tightened presales requirement, a significant ASP hike may not be possible in the next launch.

**Exhibit 21: Nanjing Jinmao Residence**


Source(s): Company, ABCI Securities

**Exhibit 22: Nanjing Jinmao Residence**


Source(s): Company, ABCI Securities

- Nanjing Jinmao Plaza:** The Nanjing Jinmao Plaza was acquired by Jinmao in 2013. The shopping mall has undergone major renovations to improve foot traffic and tenant mix. Currently, the tenants in the mall produce about RMB 30mn sales/ month. With the completion of the new metro station and introduction of the Apple store, local management aims to achieve RMB 600mn in tenant sales by 2017. For the luxury serviced apartments, about 3 units with 500sqm each were sold at RMB 55,000/sqm. Given the large lump-sum (~RMB 28mn per unit), ASP only increased slightly by 10% compared to the ASP prior to Jinmao's takeover in 2013.

**Exhibit 23: Nanjing Jinmao Plaza – shopping mall**


Source(s): Company, ABCI Securities

**Exhibit 24: Nanjing Jinmao Plaza – luxury serviced apartment**


Source(s): Company, ABCI Securities



## Hangzhou: about 20% of demand to be withdrawn

- Binjiang Jinmao Place:** The project released 250 units for sales in its first launch and was oversubscribed by 5 times. However, after Hangzhou's tightening in Oct, it is estimated 20% of the subscriptions would be withdrawn due to higher mortgage down payment required or tightened eligibility criteria for home purchase. The project is priced at RMB 45k/sqm, slightly higher than the nearby COLI's project (RMB 40k/sqm).

**Exhibit 25: Hangzhou Jinmao Palace**


Source(s): Company, ABCI Securities

**Exhibit 26: Hangzhou Jinmao Palace**


Source(s): Company, ABCI Securities

## Ningbo: a major YRD cities with no HPR

- Jiangdong Jinmao Palace:** This project released about 300 units for sales in July at an ASP of RMB 21k/sqm, which was sold out on the first day. In Sep, the project lifted the ASP by RMB 2-3k/sqm. All but 20 units remained unsold in the second launch. Local management commented the non-local buyers only represented 20-30% of the Ningbo market, hence the local government considered HPR unnecessary. So far, first-home buyers can still enjoy a 20% down payment with an 85% discount on mortgage rate. Besides, Ningbo has relatively loose requirements for presale. A project will be granted a presales permit after the foundation is completed if the building possesses environmental-friendly or energy-saving design features. One such example would be the Jinmao Palace.

**Exhibit 27: Ningbo Jinmao Palace**


Source(s): Company, ABCI Securities

**Exhibit 28: Ningbo Jinmao Palace**


Source(s): Company, ABCI Securities

**Exhibit 29: Ningbo Jinmao Palace's energy-saving design features**


Source(s): Company, ABCI Securities

**Exhibit 30: Ningbo Jinmao Palace's energy-saving design features**


Source(s): Company, ABCI Securities

- Haishu Jinmao Residence:** Jinmao acquired the site in Feb 2016 at RMB 794mn or RMB 6,200/sqm. The project's debut launch will be in November.

**Exhibit 31: Ningbo Jinmao Residence**


Source(s): Company, ABCI Securities

**Exhibit 32: Ningbo Jinmao Residence**


Source(s): Company, ABCI Securities

### Qingyuan attracts demand from Guangzhou's outskirts region

- Sunshine 100 Mango Town:** The project is 60km away from city centre of Guangzhou and 18km from downtown Qingyuan. Qingyuan's property price only remains flat in 2016 due to oversupply. Located between the borders of GZ and Qingyuan, the project attracted first-home buyers from Guangzhou, which accounted for 90% of the buyers (Qingyuan's residents accounted for the remaining 10%). Driven by external demand, ASP of the project increased from RMB 5,600/sqm in 2015 to RMB 6,200/sqm in 9M16. ASP for Sep reached RMB 6,800/sqm. Presales of the project also improved from RMB 1.1bn for FY15, to RMB 1.3bn for



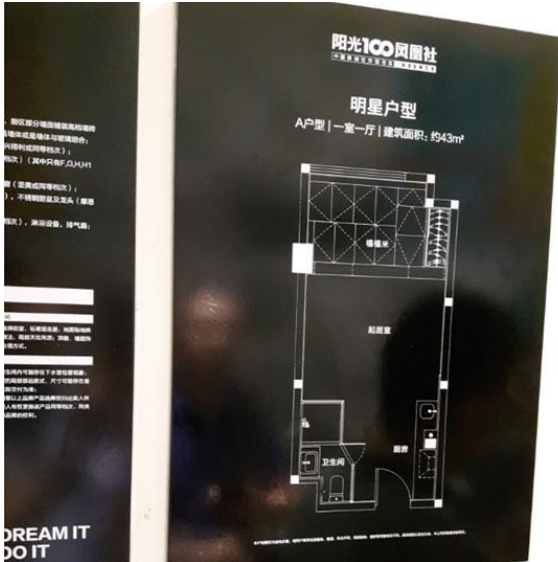
9M16. SS100 also launched the studio products with unit sizes of 40-50sqm priced under RMB 300k. The sell-through rate was ~80% since its first launch in July. Although the purchasers are mostly first-home buyers from Guangzhou, the purchase is investment-driven given the lack of public transport (75-min drive to/from Guangzhou's city center) and high toll fee (RMB 60 per trip). Overall, this project illustrates that investment demand is shifting from major tier-1/2 cities to neighboring ones as a result of the tightening measures.

**Exhibit 33: Sunshine 100 – Qingyuan Mango Town**


Source(s): Company, ABCI Securities

**Exhibit 34: Sunshine 100 – Qingyuan Mango Town**


Source(s): Company, ABCI Securities

**Exhibit 35: Sunshine 100 – Qingyuan Mango Town**


Source(s): Company, ABCI Securities

**Exhibit 36: Sunshine 100 – Qingyuan Mango Town**


Source(s): Company, ABCI Securities





November 2, 2016  
Company Report  
Rating: BUY  
TP: HK\$ 5.70

Share price (HK\$) 3.59  
Est. share price return 58.8%  
Est. dividend yield 6.7%  
Est. total return 65.5%

Previous Rating & TP NA  
Previous Report Date NA

Analyst : Kenneth Tung  
Tel: (852) 2147 8311  
Email: kennethtung@abci.com.hk

**Key Data**

52Wk H/L(HK\$)	3.78/2.5
Issued shares (mn)	1,723
Market cap (HK\$ mn)	6,185
3-mth avg daily turnover (HK\$ mn)	16.07
Major shareholder(s) (%): SHUM Chiu Hung	69.36%

Source(s): Company, Bloomberg, ABCI Securities

**1H16 Revenue breakdown (%)**

Property development	95.5
Property management	1.9
Property investment	2.6

Source(s): Company, ABCI Securities

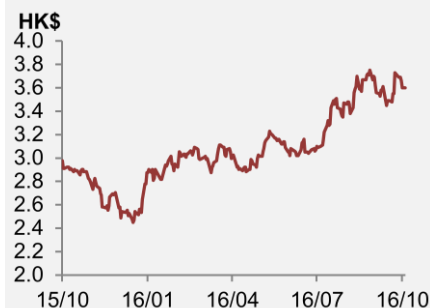
**Share performance (%)**

	Absolute	Relative*
1-mth	0.8	1.5
3-mth	15.4	8.4
6-mth	22.9	9.8

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

**1-Year stock performance (HK\$)**



Source(s): Bloomberg, ABCI Securities

# Times Property (1233 HK)

An undervalued player to soon catch up; initiate **BUY**

- Presales soared 83%YoY to RMB 21.6bn in 9M16
- Guangzhou, Foshan and Zhuhai accounted for 19%, 23% and 15% of Times' total land bank
- Guangzhou's property market is likely to catch up with other tier-1 cities with its reasonable home price-to-income ratio
- Property price in Foshan and Zhuhai rose 19% and 39% in 9M16

**An undervalued developer with strong capability.** As at June 2016, Times has a total landbank of 12.1mn sqm, with Guangzhou, Foshan, and Zhuhai accounting for 19%, 23% and 15% of total. Driven by favorable geographic exposure, presales soared 83% YoY to RMB21.6bn in 9M16, higher than the average increase of 69% YoY among peers. Besides, Times has 37 urban redevelopment projects under the pipeline across Guangzhou, Foshan, and Shenzhen, with an estimated GFA of 8.8mn sqm. We believe the full potential of the Group has not been recognized by the market, and its share price stayed flat compared to its IPO price. Sluggishness in the Guangzhou property market (as compared to other tier-1 cities) in the past 12 months has been a major drag, yet we believe its share performance would soon improve.

**Guangzhou property market would pick up soon.** In 9M16, Guangzhou's property price rose 10%, much slower than the 29% in Shenzhen, 22% in Shanghai and 16% in Beijing, according to Fang.com. However, we strongly believe property price would catch up for Guangzhou in the next 12 months because: **1) Reasonable home price-to-income ratio.** Based on our estimate, Guangzhou's home price-to-annual disposal income ratio is 24 years, much lower than the 46 years in Beijing, 51 years in Shanghai, and 74 years in Shenzhen; **2) Increased tightening in Shenzhen.** Since Shenzhen launched its further policy tightening in Mar 2016, investors, under the more stringent HPR, have opted to purchase outside Shenzhen. Guangzhou could become their next choice.

**Foshan and Zhuhai on fast-growing track.** As a neighboring city of Guangzhou, property market of Foshan has benefited from Guangzhou buyers; Zhuhai's property market has gained much from the the influx of construction workers and engineers driven by infrastructure and hotel development in Macau. In 9M16, property prices in Foshan and Zhuhai rose 19% and 39%.

**Initiate BUY with TP of HK\$ 5.70 based on a 60% discount to NAV.** Based on the discount-to-NAV valuation, we apply a WACC of 10.9% for Times' property development projects and a 6.5% cap rate for the investment properties. A 60% discount is applied to our 2017E NAV estimate of RMB 21.0bn (or HK\$14.27/share); hence, our TP arrives at HK\$ 5.7/shr. Trading at 3.0x 2016PE with a 2016E yield of 6.7% yield, the counter is attractively valued with its positive prospects in PRD. Initiate with **BUY**.

**Risk Factor:** 1) Reduced margin on expensive land acquisitions; 2) Low trading liquidity; 3) Further policy tightening

**Results and Valuation**

FY ended Dec 31	2014A	2015A	2016E	2017E	2018E
Revenue (RMB mn)	10,419	13,638	16,685	21,472	22,164
Chg (% YoY)	7.5	30.9	22.3	28.7	3.2
Core net profit (RMB mn) <sup>1</sup>	1,315	1,477	1,812	2,374	2,384
Chg (% YoY)	39.5	12.3	22.7	31.0	0.5
Underlying EPS (RMB)	0.76	0.86	1.05	1.38	1.38
Chg (% YoY)	39.5	12.3	22.7	31.0	0.5
BVPS (RMB)	3.2	4.1	5.0	6.1	7.2
Chg (% YoY)	36.2	30.6	20.4	22.2	18.3
Underlying PE (x)	4.1	3.7	3.0	2.3	2.3
P/B (x)	1.0	0.8	0.6	0.5	0.4
ROE (%)	24.2	20.8	21.2	22.7	19.3
ROA (%)	4.0	3.2	3.3	4.1	3.7
DPS(RMB)	0.14	0.16	0.21	0.28	0.28
Yield (%)	4.57	4.98	6.71	8.78	8.82
Net gearing <sup>2</sup> (%)	99.6	78.0	86.3	60.6	(2.0)

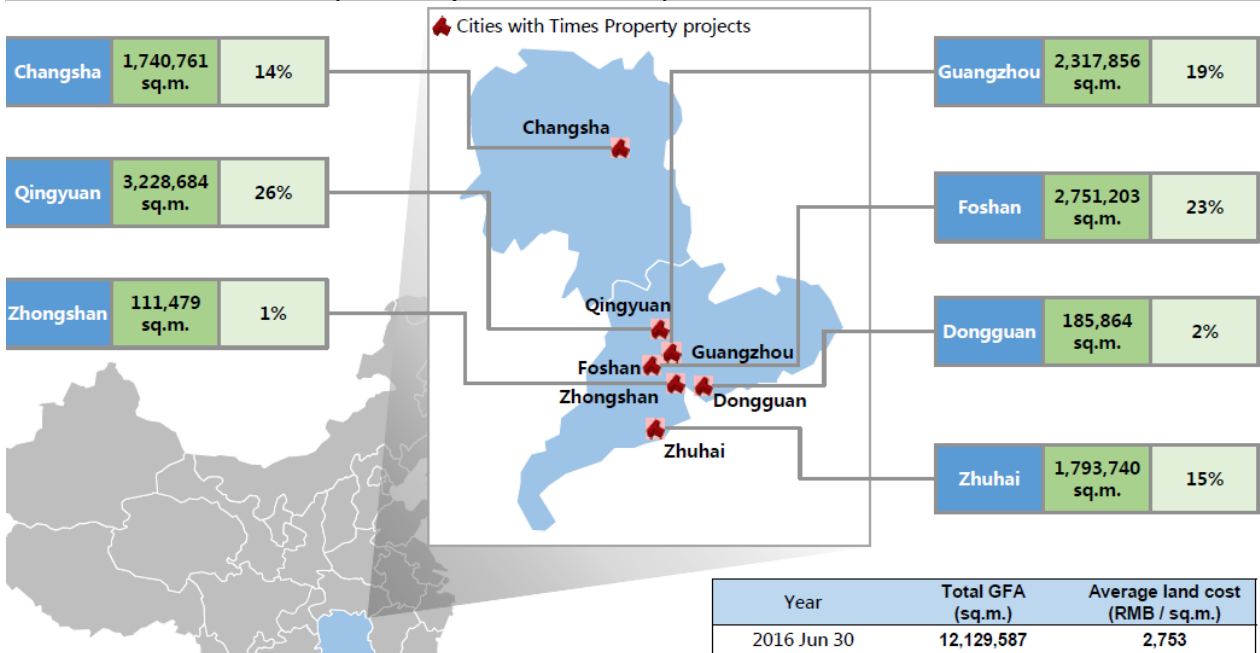
<sup>1</sup>Core net profit = Net profit - revaluation gain of investment properties and one-off items

<sup>2</sup>Net gearing = Net debt / Shareholders' equity

Source(s): Bloomberg, ABCI Securities estimates

## An undervalued developer of quality

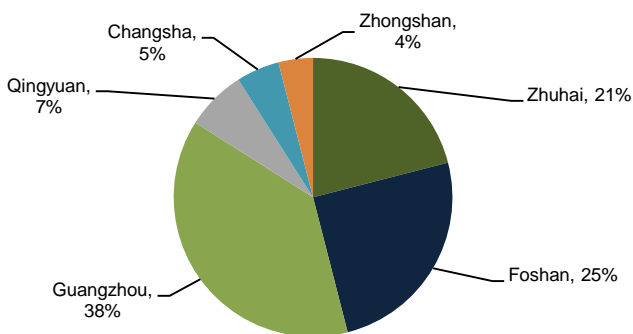
Since its HK-listing in 2013, Times Property (Times) has been focusing mainly on the Pearl River delta region. Apart from Changsha, Times has also entered, 6 other cities, namely, Guangzhou, Foshan, Dongguan, Zhuhai, Zhongshan, and Qingyuan, all within the Guangdong province. As at June 2016, Times has a total landbank of 12.1mn sqm, with Guangzhou, Foshan and Zhuhai accounting for 19%, 23% and 15% of total. The 3 cities also jointly accounted for 84%/90% of presales in FY15/1H16.

**Exhibit 37: Times' landbank (12.1mn sqm as at June 2016)**


Source(s): Company, ABCI Securities

**Exhibit 38: Times' presales by city (FY15)**

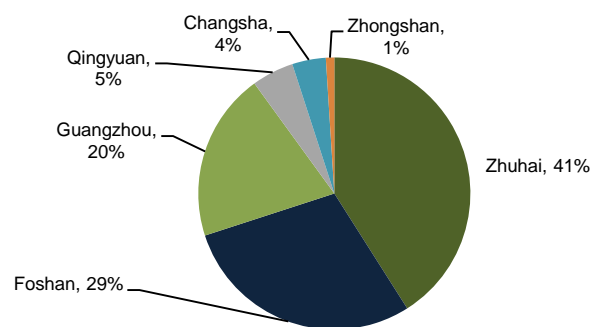
FY15 presales: RMB19,508mn (+28%YoY)



Source(s): Company, ABCI Securities

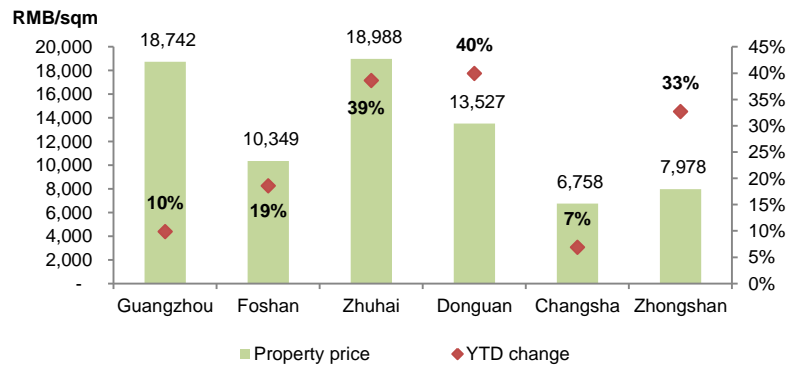
**Exhibit 39: Times' presales by city (1H16)**

1H16 presales: RMB13,360mn (+75%YoY)

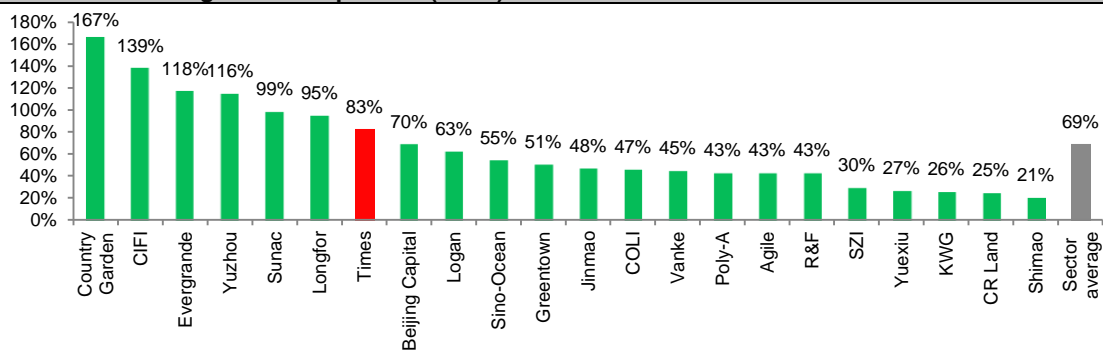


Source(s): Company, ABCI Securities

Instead of expanding nationwide across China, Times target at a few cities with a sound property market. In 9M16, property prices in its 3 key cities — Guangzhou, Foshan, and Zhuhai, rallied 10%, 19%, and 39%. Driven by the favorable geographic exposure, presales soared 83% YoY to RMB 21.6bn in 9M16, as compared to the average increase of 69% YoY among peers. As of Sep 2016, Times completed 101% of its 2016 sales target (RMB 21.5bn)

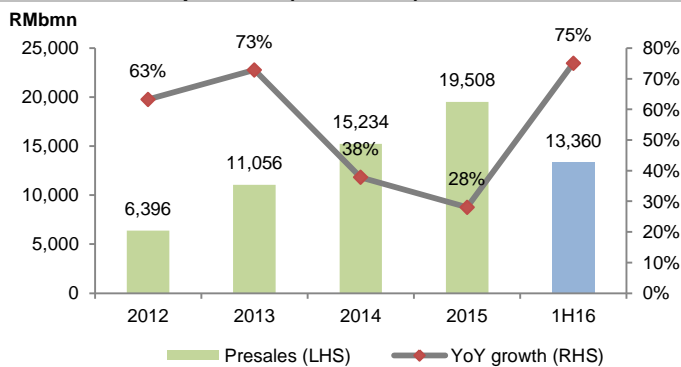
**Exhibit 40: Property price growth by city (Sep 2016)**


Source(s): Company, ABCI Securities

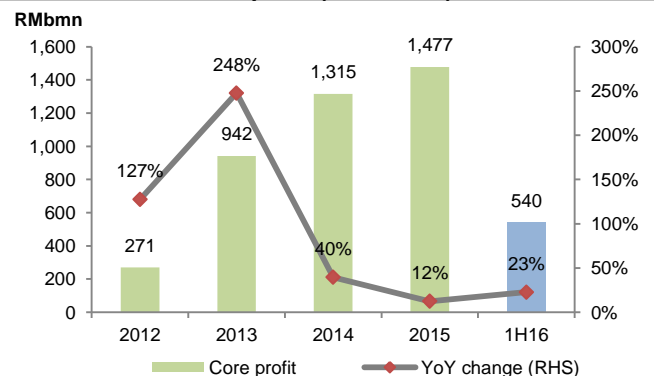
**Exhibit 41: Presales growth comparison (9M16)**


Source(s): Company, ABCI Securities

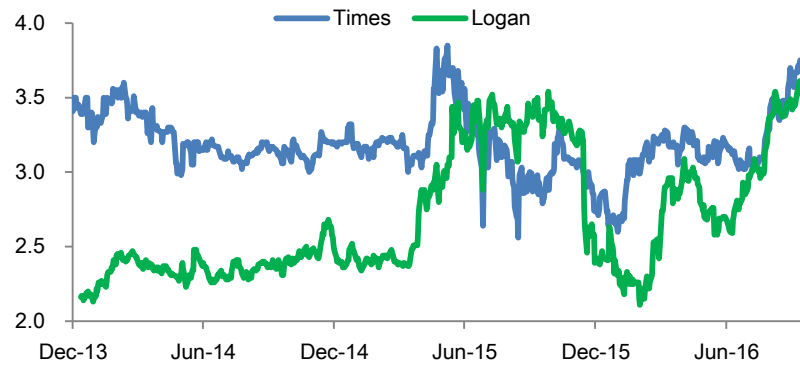
Presales and earnings have been consistent since the Group's listing in 2013. During 2013-15, presales surged by 33% CAGR to RMB 19.5bn while core profit expanded by 25% CAGR to RMB 1.5bn. We think, however, the market has not been fully aware its growth potential. Compared to Logan (3380 HK), which was also listed in 2013, Times' share price has been flat, compared to Logan's 51% increase. We believe the more placid property market in Guangzhou (as compared to other tier-1 cities) over the past 12 months has been the major drag for Times' share price; nonetheless, we believe its performance will soon catch up.

**Exhibit 42: Times' presales (2012-1H16)**


Source(s): Company, ABCI Securities

**Exhibit 43: Times' core profit (2013-1H16)**


Source(s): Company, ABCI Securities

**Exhibit 44: Share price performance- Logan vs. Times**


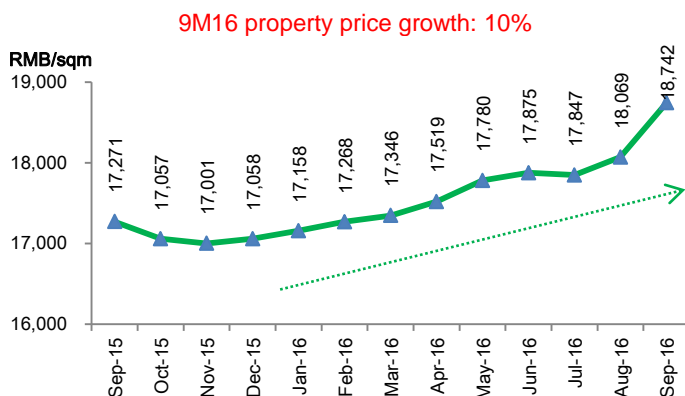
Source(s): Company, ABCI Securities

## Favorable geographic exposure in southern China

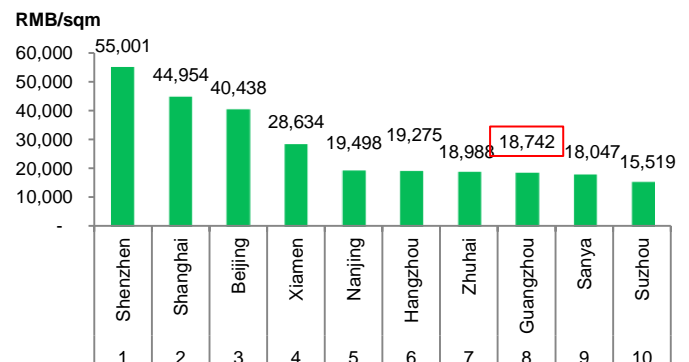
### Guangzhou: catching up with the 3 other tier-1 cities

Among to four tier-1 cities, Guangzhou is the underperformer in the past 12 months. In 9M16, Guangzhou's property price only grew 10% YTD, much lower than the 29% in Shenzhen, 22% in Shanghai and 16% in Beijing, according to Fang.com. Guangzhou's average property price was ranked 8<sup>th</sup> in China, lagging behind tier-2 cities like Xiamen, Nanjing, and Hangzhou. We believe the reasons for its underperformance include: **1) Increased land supply**. The map of Guangzhou expanded significantly with the addition of Conghua (1,975 sqkm) in 2014 and Zengceng (1616 sqkm) in 2015. The two new districts now account for 48% of Guangzhou's total area. Inclusion of these two new districts has also dragged down the overall average property price in Guangzhou. On a like-for-like basis in which prices in same district are compared, Guangzhou's property price would have increased by 12% in 9M16; **2) Shenzhen absorbs most property demand in southern China**. As a tier-1 city with the tightest land supply, Shenzhen has been more able than Guangzhou to attract property investors in southern China.

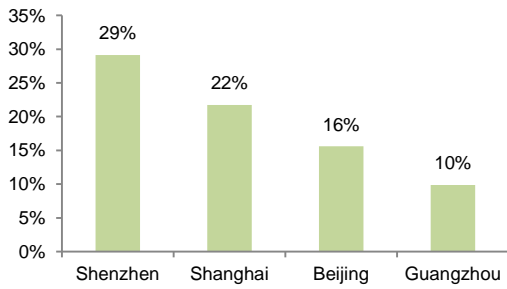
However, we strongly believe that property prices in Guangzhou would catch up in the next 12 months with those in Shenzhen because of **1) Reasonable home price-to-income ratio** — based on our estimate, Guangzhou's home price-to-annual disposal income ratio is 24 years, much lower than the 46 years in Beijing, 51 years in Shanghai and 74 years in Shenzhen; **2) Increased tightening in Shenzhen**. Since Shenzhen launched further policy tightening in Mar 2016, investors, limited by the broadened HPR, have been driven to purchase outside Shenzhen and Guangzhou is quite often the next choice.

**Exhibit 45: Guangzhou property price**


Source(s): fang.com

**Exhibit 46: Top 10 cities by property price (Sep 16)**


Source(s): fang.com

**Exhibit 47: 9M16 property price growth in tier-1 cities**


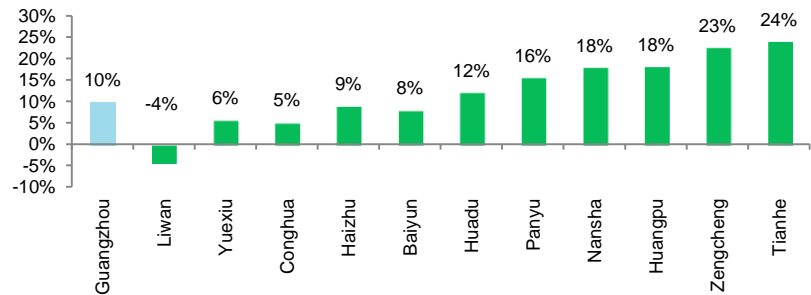
Source(s): fang.com

**Exhibit 48: Tier-1 city comparison**

	Shenzhen	Shanghai	Beijing	Guangzhou
Property price (Sep 2016)	55,001	44,954	40,438	18,742
Disposable income (2015)	44,633	52,962	52,859	46,735
Home price-to-income ratio (x)*	74	51	46	24
Area (sqkm)	2,050	6,341	16,411	7,434
Population (mn)	11	24	22	13
Density ('000)	5.3	3.8	1.3	1.8

\*assume average unit size of 60 sqm

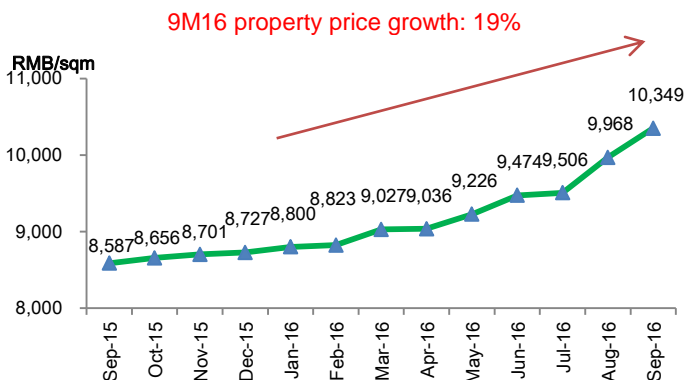
Source(s): fang.com, NBS

**Exhibit 49: Guangzhou's property price by district (9M16 change)**


Source(s): Company, ABCI Securities

### Foshan: an important satellite city of Guangzhou

As a neighboring city of Guangzhou, Foshan's property market benefits from incoming Guangzhou buyers due to: **1) Improved infrastructure connecting Guangzhou and Foshan.** The first phase of the 32-km Guangfo metro line began operation in 2010, and 4 more stations connecting the Guangzhou metro lines No.8 & No.11 were completed in 2015. Since then, commuting between Guangzhou and Foshan has significantly improved. By end-2016, Guangfo metro line will extend its network further by adding 4 more new stations; **2) Relatively loose HPR.** Foshan currently allows non-local to purchase two properties if they could provide 1-year social security payment record. In comparison, Guangzhou required non-locals to provide 3-year payment record for purchasing one unit at most. Homeowners in Guangzhou with one or more properties in the city may prefer to invest in nearby regions. Driven by suppressed property demand from Guangzhou due to HPR, property price in Foshan grew faster 9M16: +19%) than that in Guangzhou (9M16: +10%)

**Exhibit 50: Foshan's property price**


Source(s): fang.com

**Exhibit 51: Guangzhou-Foshan metro**

 珠江三角洲城际快速轨道交通  
 广州至佛山段线路平面示意图

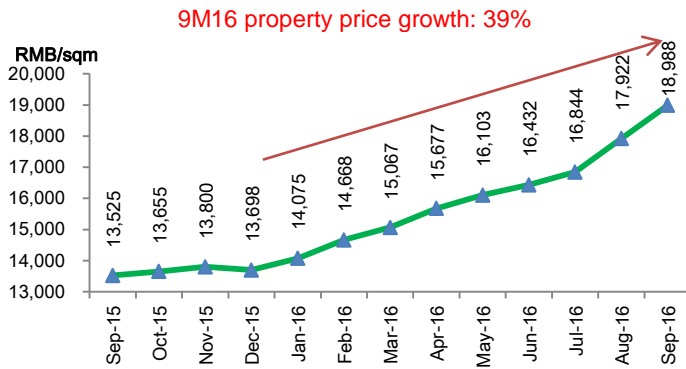

Source(s): Guangfo Metro



### Zhuhai: benefiting from Macau's development

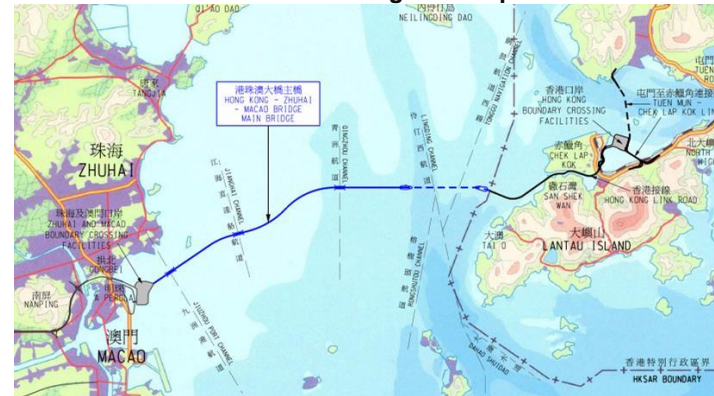
Zhuhai has a close economic tie with Macau. Benefiting from the infrastructure and hotel developments in Macau, the influx of construction workers, engineers, and related professionals have boosted property demand in the region. About 32% of Zhuhai's 1.6mn population are non-locals. Driven by the rising population, property price in Zhuhai rose 39% in 9M16. Besides, the 50km HK-Macau-Zhuhai Bridge (HZMB) commenced construction in 2009 and is expected to be complete by 2017. This important infrastructure should enable better transportation in the region and enhance economic growth for Zhuhai.

**Exhibit 52: Zhuhai's property price**



Source(s): fang.com

**Exhibit 53: HK-Zhuhai-Macau bridge development**



Source(s): Hong Kong-Zhuhai-Macau Bridge

### Policy risk in PRD cities lowers

Following the policy tightening in Shenzhen and Shanghai since Mar 2016, various non-tier-1 cities, including Hefei, Suzhou, Nanjing, Xiamen, Wuhan, and Hangzhou, have also implemented restrictive measures (mortgage and HPR) since June 2016. These measures, in our view, are relatively mild given that they are mostly targeting speculative buyers. Demand from first-home buyers should be relatively unaffected. In Shenzhen and Shanghai, property price in Mar-Sep grew 12% and 15%, indicating buying sentiment has remained positive despite the additional restrictions applied. In Oct, over 15 cities announced the first or second round of tightening measures. As of Oct 2016, we estimate about 20 cities have already had HPR in place.

In our view, tightening efforts vary across cities. We think the PRD cities (except Shenzhen) are less proactive in imposing the austerity measures. YRD cities like Nanjing and Suzhou has already enter the second round of tightening in Oct after the initial one in Aug; yet, PRD cities such as Dongguan and Foshan only announced similar policies only in early Oct. Fast-growing city like Huizhou, where property price soared 38% YTD, has no HPR implemented so far. We also like Guangzhou and Foshan given they are the laggards in the PRD cities in terms of property price.





## Strong urban redevelopment potential

As of June 2016, Times has 37 urban redevelopment projects across Guangzhou, Foshan and Shenzhen, with a total estimated GFA of ~8.8mn sqm. Among these projects, 11 projects, or 2.375mn sqm, are in the conversion stage. Given the heated land market in tier-1/2 cities, participation in urban redevelopment projects should allow Times to acquire land at a lower price than those in open auction or tendering.

**Exhibit 54: Times' urban redevelopment projects**

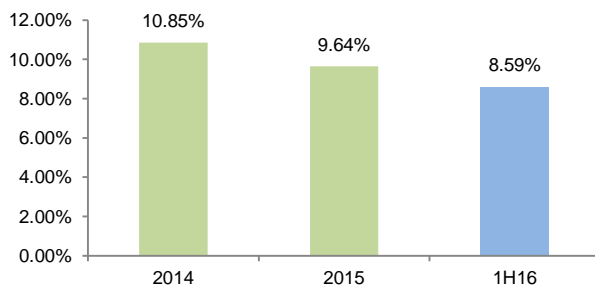
Projects	Location	Progress	Site area (sqm)	Planned GFA (sqm)
1 Guangzhou Tianhe (Pige Factory Project)	Guangzhou	Acquisition completed; conversion in progress	34,869	121,216
2 Guangzhou Tiansi (Qingchu Shiliu Gang Project)	Guangzhou	Acquisition completed; conversion in progress	46,589	178,493
3 Guangzhou Hongwei Project	Guangzhou	Conversion in progress	189,900	590,589
4 Guangzhou Kaitai Project	Guangzhou	Conversion in progress	45,115	134,400
5 Guangzhou Xiangxue Project	Guangzhou	Conversion in progress	36,921	110,761
6 Guangzhou Yuyan Project	Guangzhou	Conversion in progress	156,969	439,000
7 Guangzhou Tianxin Village Project (JV with Vanke)	Guangzhou	Conversion in progress	42,900	182,800
8 Guangzhou Huangpu Chemical Factory	Guangzhou	Partially completed	120,863	226,787
9 Guangzhou Kuntai Project	Guangzhou	Acquisition completed; conversion in progress	60,106	150,265
10 Foshan Chabo City Project	Foshan	Conversion in progress	31,561	109,110
11 Shenzhen Guangming New District Project	Shenzhen	Conversion in progress	34,441	132,000
		<b>Total</b>	<b>800,234</b>	<b>2,375,421</b>

Source(s): Company, ABCI Securities

## Declining borrowing cost

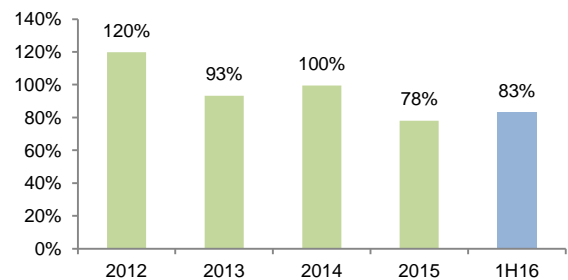
Average borrowing cost of Times declined from 10.85% in 2014, to 9.64% in 2015 and 8.59% in 1H16. After Times' IPO in 2013, the Group issued a few high-cost offshore bonds, such as the HK\$ 388mn convertible bond due 2019 at 8% in 2014, and the US\$280mn senior note due 2020 at 11.45% in 2015. Average cost of debt stayed relatively high in 2014-15 as a result of the bonds issued. However, as China's onshore corporate bond market has turned active, the Group was able to issue the lower-cost domestic bond in 2H15, including the RMB 2bn public corporate bond due 2020 at 6.75% and the RMB3bn non-public corporate bond due 2018 at 7.85%. Besides, rate cuts in China also have lowered the Group's average cost of debt in 1H16.

**Exhibit 55: Times's weighted average cost of debt**



Source(s): Company, ABCI Securities

**Exhibit 56: Times's net gearing**

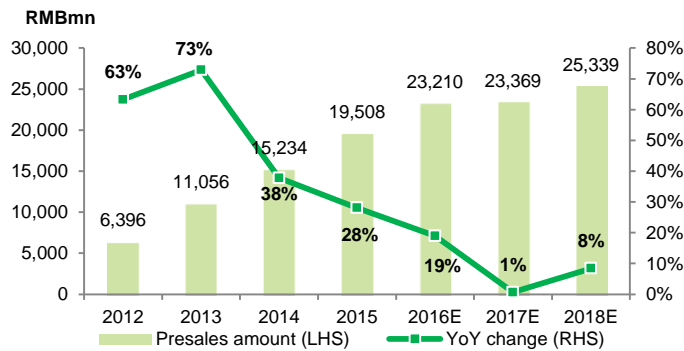


Source(s): Company, ABCI Securities

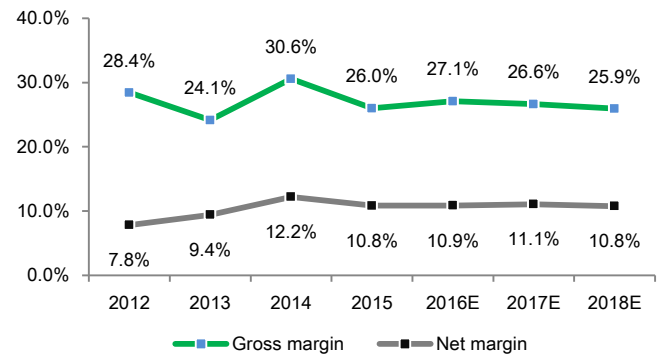
## Financial analysis

### Strong core profit growth at 17% CAGR in 2015-18E

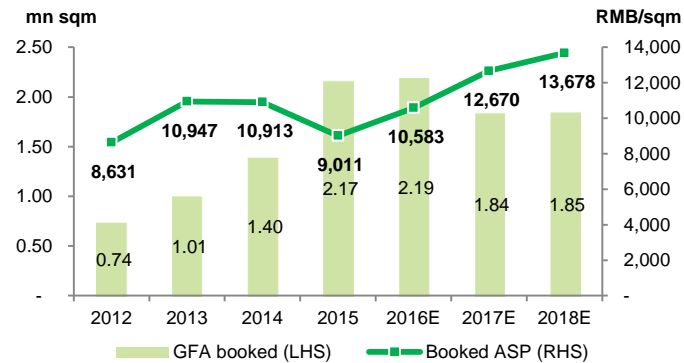
We expect Times' presale to expand by 9% CAGR from RMB 14.0bn in 2015 to RMB 25.3bn in 2018E on rising property markets in Guangzhou, Foshan and Zhuhai. We expect 2016 presale to jump 58% YoY to RMB 23.2bn, higher than its 2016 sales target of RMB 21.5bn. In contrary to the industry trend of declining margins, we expect the Group's gross margin to remain stable at 26-27% in 2016-18E as contribution from low-cost urban redevelopment project increases. Driven mainly by rising presales, we expect core profit to surge from RMB 1.5bn in 2015 to RMB 2.4bn in 2018E, implying a 17% CAGR in 2015-18E.

**Exhibit 57: Times' presales**


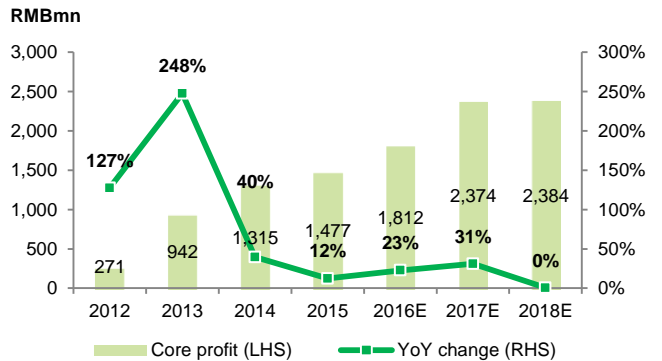
Source(s): Company, ABCI Securities estimates

**Exhibit 58: Gross and core net margin**


Source(s): Company, ABCI Securities estimates

**Exhibit 59: Times's booked sales**


Source(s): Company, ABCI Securities estimates

**Exhibit 60: Times's core net profit**


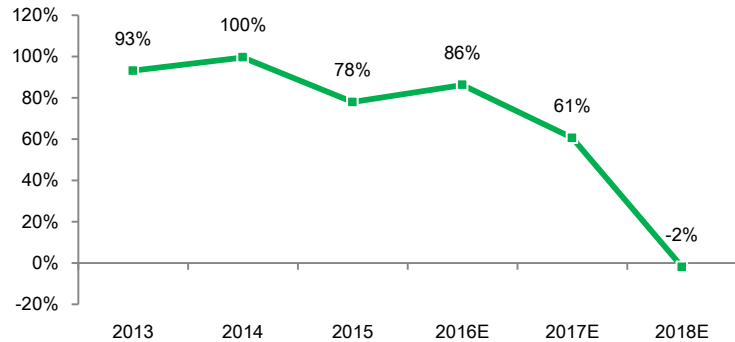
Source(s): Company, ABCI Securities estimates

### Gearing may rise in 2016E-17E

We expect Times' net gearing to increase from 78% in Dec 15 to 86% in Dec 16E on active land acquisition during the year. We assume no land acquisition in 2017E-18E, hence our projected net gearing falls sharply for the period.



Exhibit 61: Times' net gearing in 2012-17E



Source(s): Company, ABCI Securities estimates

Exhibit 62: Times' 1H16 results

P&L	1H16	1H15	YoY Chg	Operating statistics	1H16	1H15	YoY Chg
Turnover	RMBmn	RMBmn	(%)	Presales GFA (mn sqm)	1.20	0.89	34.8
Cost of Sales & direct operating costs	5,699	4,040	41.1	Presales ASP (RMB/sqm)	11,152	8,585	29.9
Gross Profit	(4,201)	(3,003)	39.9	Presales Sales (RMBmn)	13,360	7,632	75.1
Gross Margin (%)	1,499	1,037	44.5	GFA Delivered (mn sqm)	0.66	0.49	35.4
Selling and distribution costs	26.3	25.7	0.6ppt	Booked ASP (RMB/sqm)	8,227	7,880	4.4
Administrative expense	(196)	(138)	42.0	Property sales booked (RMBmn)	5,442	3,849	41.4
EBIT	(260)	(170)	53.5				
EBIT Margin (%)	1,043	730	42.9				
EBIT Margin (%)	18.3	18.1	0.2ppt				
Other income, gains and losses	34	17	97.2	<b>Balance sheet</b>	<b>Jun-16</b>	<b>Dec-15</b>	<b>HoH %</b>
Fair value gain of investment properties	16	34	(54.0)		<b>RMBmn</b>	<b>RMBmn</b>	
Other exceptional items	0	0	na	Gross debt	18,965	15,907	19.2
Share of profit from JCE/ Associates	(5)	(0)	na	Cash	9,346	8,749	6.8
Finance cost	(123)	(85)	45.2	Net debt	9,619	7,158	34.4
Profit before tax	964	696	38.4	Net gearing (%)	83.0%	77.3%	+5.7ppt
Tax	(436)	(234)	86.1	<b>Revenue breakdown</b>	<b>1H16</b>	<b>1H15</b>	<b>HoH %</b>
- LAT	(309)	(71)	332.6		<b>RMBmn</b>	<b>RMBmn</b>	
- Enterprise tax	(127)	(163)	(22.2)	Property development	5,442	3,849	41.4
Profit after tax	528	462	14.3	Rental	149	115	30.2
Minority Interest	22	(6)	(444.4)	Property management	108	76	42.1
Net profit	550	456	20.6	Total	5,699	4,039	41.1
Core net profit	540	440	22.7				
Core net margin	9.5	10.9	(1.4ppt)				

Source(s): Company, ABCI Securities



## Initiate BUY with TP of HK\$5.70 based on a 60% discount to NAV

Exhibit 63: Times' end- FY17E NAV estimates

	Attr. GFA	Net assets value		Valuation	Implied value per sqm (RMB)
	(mn sqm)	(RMB mn)	% of total	Method	
<b>Property development</b>					
Guangzhou	2.3	6,617	25%	DCF with WACC of 10.9%	2,855
Foshan	2.8	11,139	42%		4,049
Zhuhai	1.8	5,247	20%		2,925
Dongguan	0.3	1,465	6%		4,460
Qingyuan	3.2	1,644	6%		509
Others	1.9	269	1%		145
<b>Subtotal</b>	<b>12.3</b>	<b>26,380</b>	<b>92%</b>		
Investment Properties		2,225	8%	6.5% cap rate on 2017E net rental	
<b>Total 2017E GAV</b>		<b>28,605</b>	<b>100%</b>		
2017E Net cash/ (debt)		(7,576)	-26%		
<b>Total 2017E NAV</b>		<b>21,029</b>	<b>74%</b>		
No. of share outstanding (diluted)		1,723			
<b>NAV per share (RMB)</b>		<b>12.21</b>			
Ex rate		1.17			
<b>NAV per share (HKD)</b>		<b>14.28</b>			
Target discount (%)		60%			
<b>Target Price (HKD)</b>		<b>5.70</b>			
<b>WACC</b>	<b>10.9%</b>				
Cost of debt	8.0%				
Cost of Equity	20.0%				
<b>Debt/ (Debt + Equity)</b>	<b>65%</b>				

Source(s): Company, ABCI Securities estimates

Our valuation of Times is based on the discount-to-NAV method, one of the most common valuation metrics used for developers in China:

- **Property development:** We conduct a DCF analysis and apply a WACC of 10.9% to gauge the value of individual projects; total value of property development projects arrives at RMB 26.4bn.
- **Investment properties:** We apply a cap rate of 6.5% on 2017E rental income to arrive at our estimate of RMB 2.2bn.

Overall, Guangzhou, Foshan and Zhuhai jointly account for 87% of our GAV estimates. We subtract our 2017E net debt estimate (RMB 7.6bn) from the end-2017E GAV of RMB 28.86bn to derive our end-2017E NAV of RMB 21.0bn, or HK\$ 14.28/share.

We apply a 60% discount (in line with small-/mid-cap average) to our NAV estimates and derive our TP of HK\$5.70, implying 3.5x 2016E P/E and 0.8x 2016E P/B.

Compared to the small-cap peers whose current prices averaging at 6.0x P/E with a 5.1% yield, Times' valuation at 3.0x 2016E P/E with a 2016E dividend yield of 6.7% is attractive. Based on our upbeat outlook for property markets in Guangzhou, Foshan and Zhuhai, we initiate **BUY** with a TP of HK\$ 5.70.

**Exhibit 64: Valuation of the HK-listed Chinese developers**

China Property	Ticker	Rating	TP	Mkt cap	Shr. Price	Performance			Discount to NAV	P/E			Valuation Yield (%)			P/B		
						3M	YTD	2015		2015A	2016E	2017E	2015A	2016E	2017E	2015A	2016E	2017E
				(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)									
<b>Residential :</b>																		
COLI	688 HK	BUY	27.40	264.0	24.10	(7)	(9)	22	(29.70)	8.0	6.9	5.2	3.8	4.3	5.8	1.2	1.1	1.0
Vanke-H	2202 HK	NR		314.5	20.75	16	(4)	30	(8.13)	17.7	9.7	8.2	4.0	4.5	5.3	2.0	1.8	1.6
CR Land	1109 HK	NR		134.3	19.38	(1)	(12)	13	(44.80)	9.5	7.9	6.8	3.0	3.4	4.0	1.2	1.0	0.9
Country Garden	2007 HK	NR		91.4	4.14	29	36	11	(29.79)	8.2	7.9	6.5	3.6	3.9	4.7	1.2	1.1	1.0
Longfor	960 HK	NR		58.3	9.98	(8)	(10)	19	(43.80)	7.3	6.4	5.6	4.1	4.6	5.2	0.9	0.8	0.7
Evergrande	3333 HK	BUY	6.60	70.6	5.16	5	(17)	143	(60.79)	32.6	10.6	4.5	8.4	4.7	11.0	0.5	0.5	0.6
Guangzhou R&F	2777 HK	NR		35.4	11.00	(5)	31	6	(37.72)	5.4	4.8	4.2	12.5	8.3	9.1	0.7	0.7	0.6
Shimao	813 HK	NR		35.3	10.28	1	(20)	(15)	(62.79)	5.0	4.8	4.4	6.4	6.6	7.2	0.6	0.6	0.5
SZI	604 HK	BUY	4.10	26.2	3.43	7	0	70	(66.14)	11.7	8.7	6.9	4.7	5.8	7.2	0.7	0.7	0.7
Sino Ocean	3377 HK	NR		24.7	3.29	(1)	(31)	18	(66.08)	9.0	6.7	5.5	3.6	5.2	6.1	0.5	0.5	0.4
Sunac	1918 HK	HOLD	5.10	18.3	5.37	10	(6)	(22)	(63.21)	4.6	5.4	5.5	4.1	3.3	3.3	0.8	0.7	0.7
Logan	3380 HK	BUY	4.30	17.6	3.17	6	27	13	(70.79)	7.1	5.9	5.0	4.4	4.7	6.3	1.1	1.0	0.9
Agile	3383 HK	NR		17.1	4.37	(3)	12	2	(60.78)	6.2	5.7	4.8	3.2	5.6	6.7	0.4	0.4	0.4
CIFI	884 HK	BUY	2.90	15.5	2.30	14	43	21	(60.89)	5.8	4.4	3.8	6.1	6.5	7.0	1.0	0.9	0.8
KWVG	1813 HK	NR		13.7	4.48	(6)	(16)	14	(73.96)	4.1	3.8	3.4	7.4	8.2	9.2	0.5	0.5	0.4
Yuexiu Properties	123 HK	NR		14.0	1.13	12	(12)	(7)	(62.95)	9.9	8.9	7.4	4.1	4.2	4.9	0.4	0.4	0.4
Greentown	3900 HK	HOLD	5.40	13.6	6.30	12	(18)	0	(53.08)	15.8	9.8	6.6	0.0	2.0	3.0	0.5	0.5	0.5
Yuzhou	1628 HK	BUY	3.30	11.3	2.95	27	52	17	(64.41)	5.9	5.1	3.8	6.1	7.1	9.5	1.1	1.0	0.9
BJ Capital Land	2868 HK	NR		9.1	3.00	1	(8)	29	(45.45)	8.5	5.3	4.2	7.6	6.5	8.0	0.6	na	na
LVGEM	95 HK	BUY	2.70	11.3	2.40	27	(0)	9	(64.09)	269.9	15.1	6.7	0.4	2.4	5.3	2.2	2.0	1.7
Fantasia	1777 HK	BUY	1.40	5.9	1.02	(6)	17	15	(70.87)	9.4	7.6	5.3	4.9	4.0	5.7	0.5	0.5	0.4
<b>Times Property</b>	<b>1233 HK</b>	<b>BUY</b>	<b>5.70</b>	<b>6.2</b>	<b>3.59</b>	<b>16</b>	<b>41</b>	<b>(14)</b>	<b>(74.86)</b>	<b>3.7</b>	<b>3.0</b>	<b>2.3</b>	<b>5.0</b>	<b>6.7</b>	<b>8.8</b>	<b>0.8</b>	<b>0.6</b>	<b>0.5</b>
COGO	81 HK	NR		6.6	2.89	29	(12)	(17)	(68.72)	7.7	5.6	4.2	0.0	1.0	1.3	0.6	0.5	0.5
<b>HK Listed Avg</b>						<b>8</b>	<b>4</b>	<b>16</b>	<b>(55.82)</b>	<b>20.6</b>	<b>7.0</b>	<b>5.3</b>	<b>4.6</b>	<b>4.9</b>	<b>6.2</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
- Large cap (>HKD30b), ex. Evergrande						<b>4</b>	<b>2</b>	<b>12</b>	<b>(36.68)</b>	<b>8.7</b>	<b>6.9</b>	<b>5.8</b>	<b>5.3</b>	<b>5.1</b>	<b>5.9</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>
- Small-mid cap (<HKD30b), ex. LVGEM						<b>10</b>	<b>6</b>	<b>10</b>	<b>(63.95)</b>	<b>7.7</b>	<b>6.0</b>	<b>4.9</b>	<b>4.3</b>	<b>5.1</b>	<b>6.2</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>

\*Closing as at Nov 1, 2016

Source(s): Company, ABCI Securities estimates



## Risk factors

- **Reduced margins on expensive land acquisition.** To sustain fast presales growth, the Group purchased expensive sites whose prices were inflated by fierce land competition. The Group's average land cost was RMB 2,753/sqm as of June 2016, up 38% HoH compared to RMB 1,994/sqm in Dec 2015. Times, however, managed to raise its presales ASP by 30%YoY in 1H16, which could partially offset the impact.
- **Low trading liquidity.** Times has a low average daily turnover of HK\$ 14.5mn. Should a market downturn occur, investors may not be able to trade immediately.
- **Further policy tightening.** As of Sep 2016, tier-1/2 cities like Shenzhen, Shanghai, Nanjing, Suzhou, Xiamen, Hefei, Wuhan, and Hangzhou have enforced tightening measures. So far, southern cities in China have not implemented such policies yet. Should property prices rise sharply in these cities, the government may apply more restrictive measures in these housing markets.
- **A high dividend payout policy in the future is not guaranteed** as the Group may retain more financial resources for internal use or business expansion.





**Consolidated income statement (2014A-2018E)**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2014A</b>	<b>2015A</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>
<b>Revenue</b>	<b>10,419</b>	<b>13,638</b>	<b>16,685</b>	<b>21,472</b>	<b>22,164</b>
Cost of sales	(7,233)	(10,092)	(12,165)	(15,753)	(16,413)
<b>Gross Profit</b>	<b>3,186</b>	<b>3,546</b>	<b>4,520</b>	<b>5,719</b>	<b>5,750</b>
SG&A expenses	(828)	(880)	(1,079)	(1,339)	(1,402)
<b>EBIT</b>	<b>2,358</b>	<b>2,666</b>	<b>3,440</b>	<b>4,380</b>	<b>4,348</b>
Finance cost	(232)	(175)	(177)	(177)	(177)
Share of profit of associates	4	(0)	0	0	0
Other income/ (expenses)	0	34	0	0	0
Fair value gain of investment properties	0	0	0	0	0
Disposal/one-off items	105	96	0	0	0
<b>Profit before tax</b>	<b>2,235</b>	<b>2,621</b>	<b>3,264</b>	<b>4,203</b>	<b>4,172</b>
Tax	(881)	(1,070)	(1,451)	(1,829)	(1,787)
<b>Profit after tax</b>	<b>1,354</b>	<b>1,551</b>	<b>1,812</b>	<b>2,374</b>	<b>2,384</b>
Minority interest	(75)	(130)	0	0	0
<b>Reported net profit</b>	<b>1,279</b>	<b>1,420</b>	<b>1,812</b>	<b>2,374</b>	<b>2,384</b>
Less: exceptional items	36	57	0	0	0
<b>Underlying net profit</b>	<b>1,315</b>	<b>1,477</b>	<b>1,812</b>	<b>2,374</b>	<b>2,384</b>
<b>Per share</b>					
Underlying EPS (RMB)	0.76	0.86	1.05	1.38	1.38
DPS (RMB)	0.14	0.16	0.21	0.28	0.28
Payout ratio (%)	19%	18%	20%	20%	20%
BVPS (RMB)	3.16	4.12	4.96	6.06	7.17
<b>Growth %</b>					
Revenue	7.5%	30.9%	22.3%	28.7%	3.2%
Gross Profit	36.2%	11.3%	27.5%	26.5%	0.6%
EBIT	44.9%	13.1%	29.0%	27.3%	-0.7%
Underlying net profit	39.5%	12.3%	22.7%	31.0%	0.5%
<b>Margin %</b>					
Gross margin	30.6%	26.0%	27.1%	26.6%	25.9%
Gross margin (post-LAT)	26.2%	23.2%	22.6%	22.3%	22.0%
EBIT margin	22.6%	19.5%	20.6%	20.4%	19.6%
Core net margin	12.2%	10.8%	10.9%	11.1%	10.8%
<b>Key assumptions</b>					
Contracted Sales (RMB mn)	15,234	19,508	23,210	23,369	25,339
GFA sold (m sqm)	1.40	2.17	2.19	1.84	1.85
ASP (RMB/sqm)	10,913	9,011	10,583	12,670	13,678
Booked Sales (RMB)	10,095	13,225	16,247	21,006	21,668
GFA delivered (m sqm)	0.84	1.49	1.54	1.78	1.67
Booked ASP (RMB/sqm)	12,061	8,861	10,583	11,785	12,999

Source (s): Company, ABCI Securities estimates



**Consolidated balance sheet (2014A-2018E)**

As of Dec 31 (RMB mn)	2014A	2015A	2016E	2017E	2018E
<b>Current assets</b>	<b>29,137</b>	<b>40,755</b>	<b>49,177</b>	<b>53,448</b>	<b>59,035</b>
Cash	2,726	4,841	2,867	4,484	12,344
Restricted cash	2,692	3,908	3,908	3,908	3,908
Trade & other receivables	1,225	1,978	1,978	1,978	1,978
Property under development	20,123	23,543	33,939	36,593	34,321
Other current assets	2,371	6,485	6,485	6,485	6,485
<b>Non-current assets</b>	<b>3,947</b>	<b>5,115</b>	<b>5,056</b>	<b>4,998</b>	<b>4,939</b>
Property, plant & equipment	885	1,005	946	887	829
Investment properties	1,398	1,353	1,353	1,353	1,353
Investment in Associate and JCE	49	240	240	240	240
Other non-current assets	1,615	2,517	2,517	2,517	2,517
<b>Total Assets</b>	<b>33,085</b>	<b>45,870</b>	<b>54,233</b>	<b>58,445</b>	<b>63,973</b>
<b>Current Liabilities</b>	<b>16,997</b>	<b>19,984</b>	<b>26,947</b>	<b>29,311</b>	<b>32,981</b>
Short term borrowings	1,786	359	359	359	359
Trade & other payables	3,556	3,715	3,715	3,715	3,715
Pre-sales deposits	8,531	10,304	17,267	19,631	23,301
Other current assets	3,124	5,606	5,606	5,606	5,606
<b>Non-current liabilities</b>	<b>10,371</b>	<b>16,628</b>	<b>16,628</b>	<b>16,628</b>	<b>16,628</b>
Long term borrowings	9,323	15,609	15,609	15,609	15,609
Other payables	0	0	0	0	0
Other non-current assets	1,047	1,019	1,019	1,019	1,019
<b>Total Liabilities</b>	<b>27,367</b>	<b>36,612</b>	<b>43,575</b>	<b>45,939</b>	<b>49,609</b>
<b>Net Assets</b>	<b>5,717</b>	<b>9,258</b>	<b>10,658</b>	<b>12,507</b>	<b>14,364</b>
<b>Shareholders' Equity</b>	<b>5,438</b>	<b>7,100</b>	<b>8,550</b>	<b>10,448</b>	<b>12,356</b>
Minority Interest	279	2,158	2,108	2,058	2,008
<b>Total Equity</b>	<b>5,717</b>	<b>9,258</b>	<b>10,658</b>	<b>12,507</b>	<b>14,364</b>
<b>Key ratio</b>					
Gross debt (RMB mn)	11,109	15,968	15,968	15,968	15,968
Net debt (RMB mn)	5,692	7,219	9,193	7,576	(283)
Net gearing (%)	100%	78%	86%	61%	-2%
Contracted sales/ Total assets (x)	0.46	0.43	0.43	0.40	0.40

Source(s): Company, ABCI Securities estimates



**Consolidated cash flow statement (2014A-2018E)**

<b>FY ended Dec 31 (RMB mn)</b>	<b>2014A</b>	<b>2015A</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>
EBITDA	2,420	2,745	3,519	4,459	4,427
Change in Working Capital	(3,041)	(7,743)	(2,332)	809	7,044
Tax payment	(881)	(1,070)	(1,451)	(1,829)	(1,787)
<b>Operating cash flow</b>	<b>(1,503)</b>	<b>(6,069)</b>	<b>(264)</b>	<b>3,439</b>	<b>9,684</b>
Purchase of PP&E	(20)	(20)	(20)	(20)	(20)
Addition of Investment Properties	(100)	(100)	0	0	0
Others	0	34	0	0	0
<b>Investing cash flow</b>	<b>(120)</b>	<b>(86)</b>	<b>(20)</b>	<b>(20)</b>	<b>(20)</b>
Debt raised	4,590	13,855	4,000	4,000	4,000
Debt repaid	(2,000)	(4,000)	(4,000)	(4,000)	(4,000)
Interest expenses	(1,189)	(1,266)	(1,277)	(1,277)	(1,277)
Equity raised	(120)	(86)	(20)	(20)	(20)
Dividend to shareholders	(247)	(269)	(362)	(475)	(477)
Others	70	36	(30)	(30)	(30)
<b>Financing cash flow</b>	<b>1,104</b>	<b>8,270</b>	<b>(1,690)</b>	<b>(1,802)</b>	<b>(1,804)</b>
<b>Net cash inflow/ (outflow)</b>	<b>(519)</b>	<b>2,116</b>	<b>(1,974)</b>	<b>1,616</b>	<b>7,860</b>
Cash- beginning	3,245	2,726	4,841	2,867	4,484
<b>Cash- year-end</b>	<b>2,726</b>	<b>4,841</b>	<b>2,867</b>	<b>4,484</b>	<b>12,344</b>

Source(s): Company, ABCI Securities estimates

## 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

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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