

Henderson Land (12 HK)

Hold: Stability assured, but growth may need more 'kick'

- **FY14 earnings stable, with DPS above our expectation**
- **Sales pipeline looks to be thinning from FY15; more acquisitions required to accelerate growth**
- **We establish a Hold rating with a TP of HKD54.1 (was HKD53.5)**

Hold

Target price (HKD)	54.10
Share price (HKD)	51.50
Upside/Downside (%)	5.0

Dec	2014 a	2015 e	2016 e
HSBC EPS	3.11	3.20	3.28
HSBC PE	16.6	16.1	15.7
Performance	1M	3M	12M
Absolute (%)	-7.9	-3.1	32.7
Relative ^A (%)	-6.2	-6.9	16.7

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FY14 earnings in line: Henderson Land (HLD) reported FY14 core profit of HKD9,292m, 3% above our estimate and consensus. The profit contribution from property sales fell 14% y-o-y to HKD3,376m, as the majority of bookings in FY14 came from Double Cove Starview, relative to the sizable bookings from The Reach in FY13. Net rental income increased by 7% to HKD5,988m, partly helped by the new contribution of Henderson 688 in Shanghai. Core EPS came in at HKD3.11, up 2% y-o-y. The final dividend of HKD0.76 per share brings full-year DPS to HKD1.10, representing a yield of 2.1% or a 35% pay-out ratio, a slight improvement from last year's 32%. Net gearing improved y-o-y to 15.7% (vs. 17.2% in FY13). HLD announced another 1-for-10 bonus share issue, which will become effective in early June 2015 (not captured in our current estimates yet).

Slight dip in the sales pipeline in FY15: HLD's saleable resources in FY15 consist of 3,177 units, 15% less than the 3,732 units in FY14, mainly because new project launches are set to decline by c23% y-o-y. According to HLD, the estimated total new saleable resources are around 6.5m sqft (7.65m sqft, minus 1.12m sqft of investment properties), with saleable resources in FY16-17 looking thin at a total of 1.69m sqft vs. FY15 at 1.82m sqft.

Good progress on the urban redevelopment portfolio: HLD increased its stake in 17 projects to above 80% and secured 100% ownership on another four projects. Management indicated it will focus on core locations in a competitive market environment and, as a result, its land cost should increase. However, management believes urban redevelopment will remain a profitable business, especially with the uptrend in the average price per sqft of small-sized units. As of end-FY14, the average land cost for the 40 redevelopment projects (attributable GFA: 3.4m sqft) measured HKD6,300psf, 11% above the HKD5,600psf as of 1H14.

We establish a Hold rating with a TP of HKD54.10 (up 1% from HKD53.50) based on an unchanged target discount of 40% (0.5 S.D. below historical mean) to our current fair value estimate of NAV at HKD90.2 per share. Our previous rating was Neutral under the old rating system. Based on our updated price assumptions and development schedule, our NAV is revised up by 1% and our 2015-16 core profit estimate has been raised by 2-5%. We also introduce our 2017 estimates in this report. Key upside risks include a sharp rise in property prices or speeding up of agricultural land conversion. Key downside risks include an earlier-than-expected rate hike and further tightening policies.

Index ^A	HANG SENG INDEX	Enterprise value (HKDm)	105,331
Index level	24,494	Free float (%)	46
RIC	0012.HK	Market cap (USDm)	19,639
Bloomberg	12 HK	Market cap (HKDm)	152,417

Source: HSBC

Source: HSBC

Financials & Valuation: Henderson Land

Hold

Financial statements

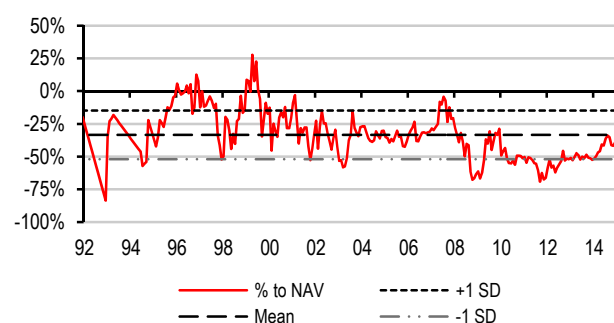
Year to	12/2014a	12/2015e	12/2016e	12/2017e
Profit & loss summary (HKDm)				
Property development revenue	15,466	15,996	15,563	15,173
Property investment & other rev.	7,905	8,564	9,127	9,691
Cost of sales	(16,788)	(16,588)	(16,804)	(17,078)
Gross profit	6,583	7,972	7,886	7,786
Selling & Admin expenses	(3,212)	(3,373)	(3,667)	(3,988)
Other income and gains	2,679	2,007	2,067	2,129
Operating profit/EBIT	6,050	6,606	6,286	5,926
Net interest expense	(495)	(486)	(574)	(633)
Revaluation gain	5,538	0	0	0
PBT	18,473	11,628	11,542	11,718
Taxation	(1,533)	(1,012)	(942)	(897)
Minority interests	(188)	(1,026)	(761)	(659)
Net profit	16,752	9,590	9,839	10,162
Core Profit	9,292	9,590	9,839	10,162
Cash flow summary (HKDm)				
Cash flow from operations	2,857	1,174	3,505	5,460
Capex	(395)	(491)	(1,100)	(950)
New shares issued	0	0	0	0
Dividends paid	(3,281)	(3,387)	(3,474)	(3,588)
Others	(4,083)	5,431	3,020	591
Net change in cash	(8,571)	1,144	243	(254)
Cash at the beginning	13,915	10,303	11,447	11,690
Cash at the end	10,303	11,447	11,690	11,437
Balance sheet summary (HKDm)				
Shareholders' funds	238,150	238,847	239,381	239,529
Long-term liabilities	29,112	35,153	36,744	36,205
Minority interests	5,067	6,093	6,854	7,513
Deferred items	12,411	12,666	12,938	13,227
Total capital employed	284,740	292,758	295,916	296,474
Fixed assets	119,705	123,771	126,031	128,226
Other assets	91,169	92,344	93,624	94,946
Current assets	106,106	109,063	111,880	113,678
Total assets	316,980	325,178	331,535	336,849
Ratio, growth and per share analysis				
Year to	12/2014a	12/2015e	12/2016e	12/2017e
y-o-y % change				
Operating profit	14%	1%	-4%	-5%
PBT	4%	-37%	-1%	2%
Reported EPS	3%	-43%	3%	3%
HSBC EPS	2%	3%	3%	3%
Ratios (%)				
ROIC ex-exceptional	3%	3%	4%	4%
ROAE ex-exceptional	4%	4%	4%	4%
ROAA ex-exceptional	3%	3%	3%	3%
Operating margin	30%	28%	27%	26%
Core profit margin	40%	39%	40%	41%
Interest cover ex-exceptional (x)	10.5	6.6	5.7	5.4
Net debt/equity	16%	15%	16%	17%
Per share data (HKD)				
Reported EPS (fully diluted)	5.62	3.20	3.28	3.39
HSBC EPS (fully diluted)	3.11	3.20	3.28	3.39
DPS	1.10	1.13	1.16	1.20

HLD: NAV breakdown

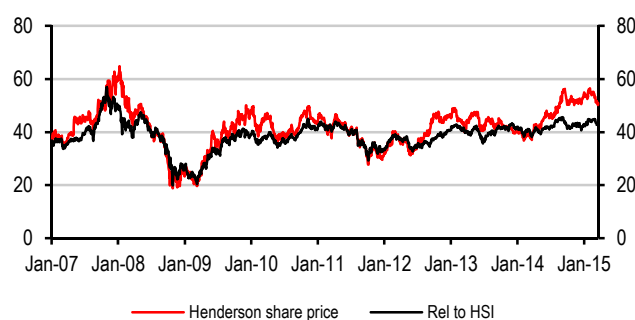
Particulars	(HKDm)	(HKD/sh)	% of GAV
HK Development properties	43,030	14.3	13.7%
HK Investment properties:			
Office/Retail	104,884	35.0	33.5%
Residential	8,260	2.8	2.6%
Others	2,883	1.0	0.9%
Hotel	9,746	3.2	3.1%
China properties	45,595	15.2	14.6%
Listed investments	92,996	31.0	31.5%
Net debt	(36,686)	(12.2)	
Outstanding LAT for China properties	(34)	(0.0)	
Est. NAV	270,674	90.2	100.0%

Source: HSBC estimates

NAV discount chart



Price relative



Note: Price as of 23 March 2015

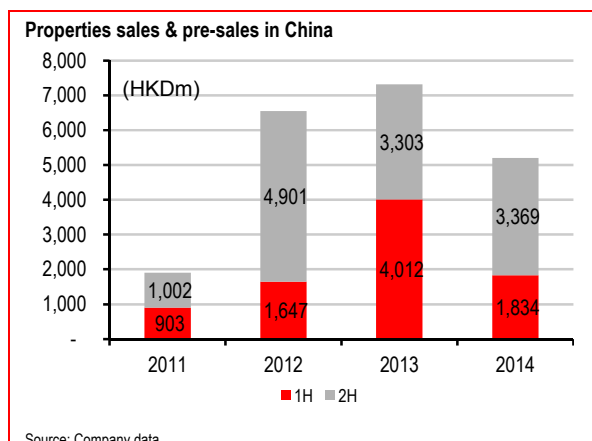
Stability assured, but may need more ‘kick’

HLD reported FY14 core profit of HKD9,292m, 3% above our estimate. The stable 4% y-o-y growth was anchored by property leasing and Hong Kong & China Gas (3 HK, HKD17.60, Neutral under the old rating system), while property development for sale slipped slightly y-o-y. We are expecting that HLD will be delivering steady growth in the coming few years, albeit at a slow rate, but the swing factor will likely be how quickly the company can bring more projects onto the pre-sales pipeline through urban redevelopment initiatives and better still farmland conversion. The company in its effort to continue to enlarge the share capital base has announced a 1-for-10 bonus share issue. A final DPS of HKD0.76 was announced, with full-year DPS up 4% y-o-y, the pay-out ratio increased to 35% (from 32% in FY13).

We establish a Hold rating (from Neutral in our old rating system) on HLD and slightly revise our fair value TP up by 1% from HKD53.50 to HKD54.10 upon a 1% upward revision in the current estimate of NAV from HKD89.20 to HKD90.20 per share. We also raise our EPS estimates for FY15-16 by 2-5% upon updated price and development schedule assumptions, and introduce our FY17 estimates.

Property development prospects look stable

Property development contributed HKD3.376m in FY14, 14% lower y-o-y as the majority of the profits booked this year were from Double Cove Starview, which is a smaller scale project than The Reach that was booked in FY13. Hong Kong contracted sales totalled HKD13.9bn, up 33% higher y-o-y, mainly reflecting the launch of Double Cove Starview, Double Cove Starview Prime and the inventory clearance of The Reach. China contracted sales were down 29% y-o-y amid broader market sluggishness in China’s property market, but 2H14 (up slightly y-o-y) was noticeably stronger, along with positive moves in policies since mid-year 2014 and the interest rate cut towards year-end 2014.



Slight dip in sales pipeline in FY15, and onwards

In FY15, HLD will be launching nine new projects for sale involving a total of 2,002 units. Together with the inventory carried over from FY14, there will be a total of 3,117 units available for sale this year. This potential sales pipeline is some 15% lower than the 3,732 units back in FY14, mainly because the number of units from new project launches is 23% lower y-o-y. According to HLD, the estimated total new saleable resources are around 6.5m sqft (7.65m sqft, minus 1.12m sqft of investment properties), with saleable resources in FY16-17 looking thin at a total of 1.69m sqft vs. FY15 at 1.82m sqft. Based on the receding planned GFA available for sales, we believe the company will have some degree of urgency to try and add to the landbank, and the most convenient channels being from auctions/tenders or urban redevelopment.

Major projects in Hong Kong for sale/ pre-sale and leasing in FY14

Project name and locations	Usage*	HLD's interest	No. of R Units	Attributable GFA/ Saleable Area (sqft)		Expected completion
				C	R	
Jones Hive – 8 Jones Street, Causeway Bay (launched in Jan 2015)	R	80%	119	-	45,081	1H17
200 Ma Tau Wai Road, To Kwa Wan	C/R	100%	120	4,458	36,764	4Q16/1Q17
High Park Grand – 68 Boundary Street, Kowloon	C/R	100%	41	10,125	50,625	Completed
33 Shing On Street, Sai Wan Ho	C/R	100%	234	13,914	65,857	4Q16/1Q17
Double Cove (Phase 4) – 8 Wu Kai Sha Road, Ma On Shan	R	59%	474	-	228,428	4Q15/1Q16
Double Cove (Phase 5) – 8 Wu Kai Sha Road, Ma On Shan	R	59%	176	-	196,442	1H16
50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan	C/R	100%	300	16,996	85,478	1H17
11-33 Li Tak Street, Tai Kok Tsui	C/R	100%	448	42,004	134,396	2Q / 3Q 17
23 Robinson Road, Mid-Levels	R	25%	90	-	39,334	4Q17
Total			2,002	87,497	882,406	
Total GFA attributable to HLD for sale/pre-sale					882,406	

Source: Company data. R = Residential, C = Commercial

Pre-sale schedule as of March 2015

Attributable GFA/Saleable Area (m sqft)	Investment Properties	2015	2016-17	2017 or onwards	Total
Projects for sale/ pre-sale & leasing in 2015*	0.09	0.88	-	-	0.97
Existing five urban redevelopment projects for sale/ leasing	0.36	-	-	0.93	1.29
13 Newly-acquired urban redevelopment projects with 100% ownership	0.19	-	1.13	-	1.31
27 Newly-acquired urban redevelopment projects with 80% or above ownership	-	-	-	2.09	2.09
Two newly acquired land sites from public tender	0.34	-	0.56	-	0.90
Total	1.12	1.82	1.69	3.02	7.65

Source: Company data, HSBC. *For launched project, area of the residential portion is calculated on saleable basis.

Continuing to make good progress with the urban redevelopment portfolio

HLD has increased the stake in 17 projects to above 80% and consolidated 100% ownership for four projects. In the Hung Hom/Whampoa area alone, HLD added 11 land sites (totalling c488,000 sqft of attributable GFA) to its land bank. As of end-FY14, there are a total of 40 urban redevelopment projects with over 80% ownership acquired, representing a total attributable GFA of 3.4m sqft. Total land cost of these projects are estimated to be about HKD21.5bn, or HKD6,300psf, 11% above the HKD5,600psf as of 1H14. Management has indicated the intent to move to what the company believes are more core locations amid a competitive

market environment and, as a result, the land cost will increase, but HLD still believes that this is a profitable business, especially with the upward momentum of average price per sqft of small-sized units.

Progress of old building acquisitions in urban areas

Ownership acquired	2012		2013		1H14		2014	
	GFA (sqft)	No of projects	GFA (sqft)	No of projects	GFA (sqft)	No of projects	GFA (sqft)	No of projects
100%	1,481,104	20	1,404,029	23	1,070,922	15	1,312,499	13
80% or above & <100%	1,600,868	18	2,170,763	17	1,997,233	16	2,090,314	27
below 80% but more than 20%	4,200,000	37	3,800,000	41	3,800,000	41	2,740,000	40
Total	7,281,972	75	7,374,792	81	6,868,155	72	6,142,813	80
% change from previous period	-9%	-11%	1%	8%	-7%	-11%	-11%	11%

Source: Company data, HSBC

More patience required for farmland conversion

HLD's farm land reserve has increased by 2m sqft y-o-y to 44.5m sqft in total (relative to 42.5m sqft in FY13) and it remains as the Hong Kong developer with the largest farmland holding. In Kwu Tung North and Fanling North, HLD continues to expect c800,000 sqft will be eligible for a land exchange for sites with a total GFA of 4m sqft (assuming a 5x plot ratio). Meanwhile, it expects another 2m sqft of site in the two new development areas to be eligible for cash compensation. HLD also holds c5.5m sqft of land in the Hung Shui Kiu New Development Area (NDA).

Potential land exchange and cash compensation by area

Kwu Tung North & Fanling North		Land Area (sqft)
Land Area eligible for applications for in-situ land exchange		~800,000
Land Area subject to resumption for public use through cash compensation		~2,000,000
Total		~2,800,000

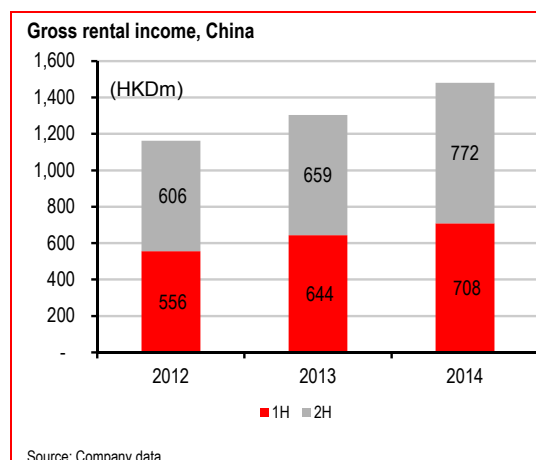
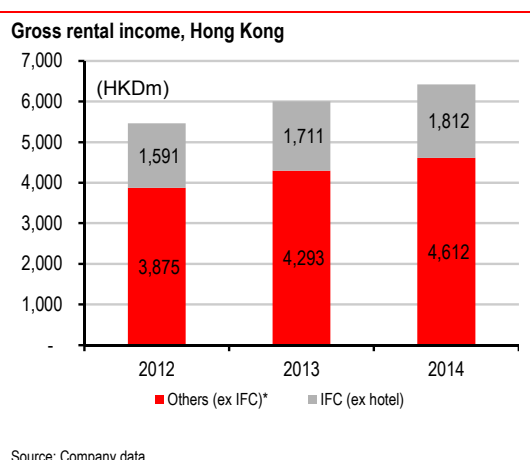
Application for In-situ Land Exchange		
New Development Area	Land Area (sqft)	Expected GFA for redevelopment (sqft)
Fanling North	787,000	3,730,000
Kwu Tung	45,000	270,000
Total	832,000	4,000,000

Source: Company data

Stable growth for property leasing

HLD's gross rental income (including associates and JCE) grew 7% y-o-y to HKD6,424m in Hong Kong and 14% to HKD1,480m in China. Total net rental income of HKD5,988m (+7% y-o-y) implies a margin of 75.8%, c1ppt lower y-o-y, because China's rental margin was down from 82% to 74%, as Henderson 688 in Shanghai opened in FY14 and is still ramping up.

In Hong Kong, contributions from IFC grew 6% y-o-y to HKD1,812m, while that of others grew 7% y-o-y. In China, the two major buildings, World Financial Centre in Beijing saw an occupancy pick-up of 4ppt to 97%, while Henderson Metropolitan in Shanghai saw a 3ppt decrease in occupancy, both relative to the numbers in 1H14.



	1H13 (ended June)			2H13 (ended Dec)			1H14 (ended June)			2H14 (ended Dec)		
	HK	CH	Overall	HK	CH	Overall	HK	CH	Overall	HK	CH	Overall
Leasing business												
Gross rental income (HKDm)	2,942	644	3,586	3,062	659	3,721	3,146	708	3,854	3,278	772	4,050
h-o-h (pt)	5%	6%	6%	4%	2%	10%	3%	7%	4%	4%	9%	9%
Net rental income (HKD)	2,236	509	2,745	2,298	562	2,860	2,410	547	2,957	2,482	549	3,031
h-o-h (pt)	10%	11%	10%	3%	10%	14%	5%	-3%	3%	3%	0%	6%
Margin	76%	79%	77%	75%	85%	77%	77%	77%	77%	76%	71%	75%
h-o-h (pt)	3	3	3	(1)	6	0	2	(8)	(0)	(1)	(6)	(2)

Source: Company data

Two major investment properties in China

City	Project	Occupancy rate					Gross rental income (HKDm)				
		1H13	2H13	1H14	2H14	h-o-h	1H13	2H13	1H14	2H14	h-o-h
Beijing	World Financial Centre	97%	96%	93%	97%	4%	260	251	273	315	15%
Shanghai	Henderson Metropolitan	96%	94%	95%	92%	-3%	102	109	110	113	3%

Source: Company data

Other notable highlights

Henderson declared a final dividend of HKD0.76, bringing the full-year dividend per share (DPS) to HKD1.10 with a 35% pay-out ratio (vs. 32% in FY13). Also, HLD proposes to make a bonus issue of one new share fully paid for every 10 ordinary shares, which will become effective in early June 2015 (not captured in our current estimates yet).

Hong Kong & China Gas contributed HKD2,752m in terms of net profit to shareholders, showing a stable 11% increase relative to the HKD2,480m in FY13.

Finance cost was down 10% y-o-y to HKD859m from HKD957m, mainly due to a reduction of long-term debt. The Group's effective borrowing rate was at 4.0% p.a., lower than the 4.44% in FY13.

Net gearing increased slightly from 13.6% as of 1H14 to 15.7% at end-FY14, still below the 17.2% as of end-FY13. Net debt is slightly down by 2% y-o-y to HKD37.4bn, while total debt was down by 9% y-o-y to HKD47.7bn, respectively.

Book NAV was down 4% y-o-y to HKD82.77 as of end-FY14 before the adjustment for the 1-for-10 bonus share issuance. The Book NAV per share as of end-FY13 was HKD79.38

What's changed

We raise our core profit and EPS estimates by 2-5% upon our updated development schedule and price assumptions. Our core profits are largely in line with consensus. Our DPS is raised by a higher percentage of 4-6% to reflect the higher pay-out ratio realised in FY14. Based on the changes, we also raise our fair value estimate of the current NAV by 1% from HKD89.20 per share to HKD90.20 per share.

Summary of estimate changes

	FY2015e	FY2016e	FY2017e	Fwd NAV (HKD)
Core profit (HKDm)				
Old estimate	9,170	9,606	NA	89.2
New estimate	9,590	9,839	10,162	90.2
% change	4.6%	2.4%	NA	1.1%
Consensus - Bloomberg	9274	9745	NA	
% difference	3.4%	1.0%	NA	
EPS (HKD)				
Old estimate	3.06	3.20	NA	
New estimate	3.20	3.28	3.39	
% difference	4.6%	2.4%	NA	
DPS (HKD)				
Old estimate	1.07	1.12	NA	
New estimate	1.13	1.16	1.19	
% change	5.5%	3.6%	NA	

Source: HSBC estimates

Valuation and risks

We establish a Hold rating on the stock and set our fair value TP to be HKD54.10 (revised up by 1% from HKD53.50) based on an unchanged target discount of 40% (0.5 S.D. below historical mean) to our fair value estimate of NAV at HKD90.20 per share. Our NAV has been revised up by 1% from our mainly on the back of updated development schedule and price assumptions. Key upside risks include a sharp increase in property prices or speeding up of agricultural land conversion. Key downside risks include an earlier-than-expected rate hike and further tightening policies.

Valuation and risks for Hong Kong & China Gas (3 HK, HKD17.60, Neutral, TP HKD19.40)

Valuation: Our target price of HKD19.40 is based on a SOTP valuation. We value Towngas HK (WAAC 4.4%) and the Chinese subsidiaries of HKCG and Towngas China (WAAC 6.4%) and HK Aviation fuel/landfill gas (WAAC 5.0%) using DCF. Total associates and JCEs (except property) are valued based on a 12x 2014e PE, while the HSBC property research team's IFC valuation is used for HKCG's 15.8% interest.

Key downside risks: industrial volumes decline with slowing GDP; citygate gas price increases that cannot be passed through to customers. Key upside risks: availability of gas resulting in a higher growth rate, improved utilisation of existing gas pipelines, strong volume growth, and earlier-than-expected completion of new energy projects.

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FY14 results comparison table

(HKDm)	FY 2013a	FY 2014a	HSBC 2014e	Difference	y-o-y % chg	Remarks
Turnover						
Sales of properties	15,743	15,466	15,565	-1%	-2%	Main projects booked include Double Cove Starview and inventory sold at The Reach
Rental income	4,994	5,445	5,422	0%	9%	Steady increase y-o-y helped by the additional income from Henderson 688 in Shanghai
Hotel	194	188	290	-35%	-3%	
Department store, Infrastructure and Others	2,358	2,272	2,476	-8%	-4%	
Total Turnover	23,289	23,371	23,752	-2%	0%	
Cost of sales	-14,508	(14,168)	(16,208)	-13%	-2%	
Gross profit	8,781	9,203	7,545	22%	5%	
Selling and admin expenses	-3,186	(3,212)	(3,466)	-7%	1%	Selling and admin expense increased by only 1% y-o-y.
Others expenses/income	530	965	2,538	-62%	82%	
Other gains (mainly revaluation gains)	6,345	5,538	-	NA	-13%	
Profit from operating activities	12,470	12,494	6,627	89%	0%	
Finance cost	-957	(859)	(959)	-10%	-10%	Lower-than-expected finance cost, which is attributable to a lower total debt, especially at the long duration part
Share of results of associates & JCE	6,282	6,838	5,420	26%	9%	
Profit before taxation	17,795	18,473	11,088	67%	4%	
Taxation	-1,739	(1,533)	(1,088)	41%	-12%	
Minority interests	-108	(188)	(973)	-81%	74%	
Net profit	15,948	16,752	9,027	86%	5%	
Effect of revaluation gain on IP, net of deferred taxes	-7,010	-7,460			6%	
Core profit	8,938	9,292	9,027	3%	4%	
Reported EPS (HKD)	5.43	5.62	3.04	85%	3%	
Core EPS (HKD)	3.04	3.11	3.04	2%	2%	
DPS (HKD)	1.06	1.10	1.06	4%	NA	Y-o-y comparison not applicable due to the scrip dividend
Pay-out ratio	32%	35%	35%	1%	11%	Pay-out ratio shows an improvement from 32% in FY13 to 35% in FY14
Liquidity						
Long-term borrowings	43,580	34,133			-22%	
Short-term borrowings	8,679	13,590			57%	
Cash	13,915	10,303			-26%	
Net debt	38,344	37,420			-2%	
Shareholders' equity	223,402	238,150			7%	
Net gearing	17.2%	15.7%			(1.5)	
Margins						
Gross margin	38%	39%			1.7	
PBT margin	76%	79%			2.6	
Reported NP margin	68%	72%			3.2	
Underlying NP margin	38%	40%			1.4	

Source: Company data, HSBC

Disclosure appendix

Analyst Certification

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Important disclosures

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From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

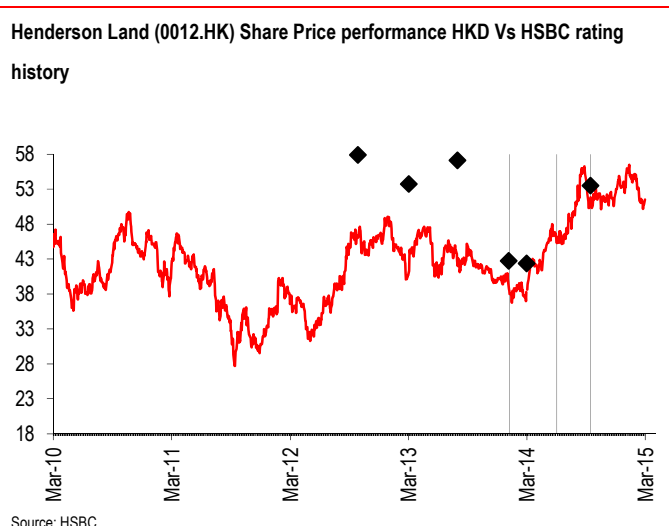
Rating distribution for long-term investment opportunities

As of 24 March 2015, the distribution of all ratings published is as follows:

Buy	41%	(30% of these provided with Investment Banking Services)
Hold	40%	(28% of these provided with Investment Banking Services)
Sell	19%	(20% of these provided with Investment Banking Services)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see “Stock ratings and basis for financial analysis” above.

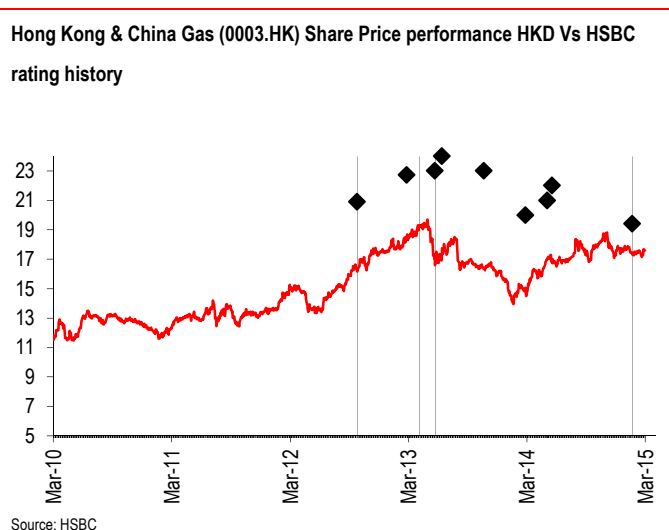
Share price and rating changes for long-term investment opportunities



Recommendation & price target history

From	To	Date
Overweight	Neutral	27 January 2014
Neutral	Restricted	23 June 2014
Restricted	Neutral	06 October 2014
Target Price	Value	Date
Price 1	57.85	19 October 2012
Price 2	53.72	25 March 2013
Price 3	57.09	22 August 2013
Price 4	42.73	27 January 2014
Price 5	42.36	23 March 2014
Price 6	Restricted	23 June 2014
Price 7	53.50	06 October 2014

Source: HSBC



Recommendation & price target history

From	To	Date
N/A	Overweight	16 October 2012
Overweight	Neutral	25 April 2013
Neutral	Overweight	13 June 2013
Overweight	Neutral	12 February 2015
Target Price	Value	Date
Price 1	20.91	16 October 2012
Price 2	22.73	18 March 2013
Price 3	23.00	13 June 2013
Price 4	24.00	04 July 2013
Price 5	23.00	11 November 2013
Price 6	20.00	19 March 2014
Price 7	21.00	25 May 2014
Price 8	22.00	09 June 2014
Price 9	19.40	12 February 2015

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
HENDERSON LAND	0012.HK	51.50	23-Mar-2015	5, 6, 11
HONG KONG & CHINA GAS	0003.HK	17.60	23-Mar-2015	4, 6

Source: HSBC

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