Company report

FIG
Real Estate
Equity – China

HSBC Global Research

Agile Property (3383 HK)

Hold

Hold			
Target price (HKD)			5.00
Share price (HKD)			4.51
Upside/Downside (%)			10.9

Dec	2014 a	2015 e	2016 e
HSBC EPS	1.12	1.09	1.25
HSBC PE	3.2	3.3	2.9

Performance	1M	3M	12M
Absolute (%)	-0.9	4.4	-7.6
Relative^ (%)	-0.4	0.5	-25.4

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Hold: Still deep in repair mode

- **Earnings miss but dividend beats our expectation**
- **Margin pressure will persist in the short term**
- **We establish a Hold rating with a fair value TP of HKD5.0**

FY15 will be another stern test for the company. We believe the company will need to demonstrate to the market its resolve to tackle another tough year ahead. We expect to see further margin pressure in FY15 as the company needs to step up on its contracted sales while keeping a lid on its cost and expenses. In our view, it is still deep in repair mode to rectify the aggressive landbank expansion in prior years, by boost sales through price discounting in challenging market conditions in order to alleviate balance sheet pressure while at the same time deal with sizeable debt maturity.

Earnings miss is both an ASP and cost issue. FY14 core earnings were down 16% y-o-y and came in 11% below our forecast. Gross profit was largely in line with our expectation, but the higher SG&A and associate/JCE level losses have widened the differential on the core earnings level. Both GPM and core margin are at a new low, at 32.4% and 10.3% respectively. Recognized ASP was down 13.5% y-o-y, which correlates to the decline in contracted sales ASP. Cost control will be a key priority for the company to contain the downward pressure on margin. Management has guided for 28-30% GPM from property sales in FY15, which we have adjusted accordingly. As such we are revising down our FY15/16 core earnings by 9.8% and 7.7% respectively. We have however revised up our dividend forecast, as the reduced payout ratio was highly than our expectation.

Leverage reduction required, not just control. While the company has improved net gearing ratio from the interim period, it remained relatively lofted at 105% (including PCS as debt), and above investors' comfort zone. Bringing down this leverage through improving sales and cash collection, while steering clear from unnecessary land acquisitions, is of paramount importance. Agile also has a significant amount of debt maturing in FY15 (Rmb16bn).

We establish a Hold rating and set a fair value TP of HKD5.0 based on a target discount of 70% (1 S.D. below historical mean) to our current NAV estimate of HKD16.5 per share. Our previous rating was Neutral (V) and our previous TP was HKD4.9 under the old rating system. Downside risks include slower contracted sales; lower-than-expected ASP; aggressive land acquisitions, and uncertainties related to macroeconomic and housing policies.
Upside risks include better sales relative to target; higher-than-expected ASP and/or improved cost efficiency.

Index^	HSCEI
Index level	11,968
RIC	3383.HK
Bloomberg	3383 HK

Source: HSBC

Enterprise value (CNYm)	57030
Free float (%)	36
Market cap (USDm)	2,278
Market cap (HKDm)	17,666

Source: HSBC

Financials & valuation: Agile Property

Hold

Financial statements

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Profit & loss summary (RMBm)				
Property sales revenue	37,037	42,987	48,697	55,349
Property investment & other revenue	1,281	2,041	2,492	3,188
Cost of sales	(25,887)	(31,011)	(34,943)	(39,926)
Gross profit	12,431	14,018	16,246	18,610
Selling & Admin expenses	(3,222)	(2,916)	(3,020)	(3,186)
Other gains & misc	812	55	64	47
Operating profit/EBIT	10,021	11,156	13,290	15,471
Net interest	(293)	(238)	(260)	(277)
Share of profit from asso.	(73)	7	7	6
PBT	10,126	10,925	13,037	15,200
Taxation	(5,035)	(5,378)	(6,228)	(7,403)
Minority interests	(449)	(917)	(1,562)	(1,757)
Net profit	4,642	4,630	5,247	6,040
Core Profit	4,284	4,630	5,247	6,040
Adj core profit	3,929	4,260	4,877	5,670
Cash flow summary (RMBm)				
Cash flow from operations	(2,802)	(8,150)	(5,902)	(5,710)
Capex	1,093	3,057	2,818	3,736
Changes in investments	(2,203)	0	0	0
New shares issued	1,453	0	0	0
Dividends paid	(900)	(979)	(1,235)	(1,414)
Others	2,830	7,089	2,499	3,999
Net change in cash	(529)	1,017	(1,821)	611
Cash at the beginning	6,784	6,068	7,085	5,264
Cash at the end	6,068	7,085	5,264	5,875
Balance sheet summary (RMBm)				
Shareholders' funds	38,134	41,785	45,797	50,422
Long-term liabilities	25,851	30,181	31,707	34,150
Minority interests	2,961	3,878	5,440	7,196
Total capital employed	68,262	77,160	84,260	93,084
Fixed assets	29,465	35,275	39,369	43,749
Current assets	94,183	115,536	126,791	140,651
Total assets	123,648	150,811	166,160	184,399

Ratio, growth and per share analysis

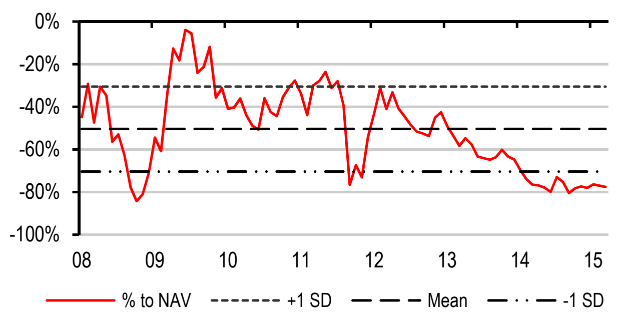
Year to	12/2014a	12/2015e	12/2016e	12/2017e
y-o-y % change				
Revenue	8%	18%	14%	14%
Operating profit	-1%	11%	19%	16%
PBT	-5%	8%	19%	17%
Reported EPS	-5%	-11%	13%	15%
HSBC EPS	-18%	-3%	14%	16%
Ratios (%)				
ROIC ex-exceptional	5%	5%	5%	6%
ROAE ex-exceptional	11%	11%	11%	12%
ROAA ex-exceptionals	3%	3%	3%	3%
Operating margin	26%	25%	26%	26%
Core profit margin	10%	9%	10%	10%
Interest cover ex-exceptional (x)	2.9	2.7	2.9	3.2
Net debt/equity(incl. restricted cash)	75%	81%	79%	75%
Per share data (RMB)				
Reported EPS (fully diluted)	1.32	1.18	1.34	1.54
HSBC EPS (fully diluted)	1.12	1.09	1.25	1.45
DPS (HKD)	0.40	0.40	0.45	0.52
BV	9.74	10.67	11.69	12.87

Agile: NAV breakdown

Particulars	(RMBm)	(HKD/sh)	% of GAV
Development properties			
Residential	113,376	36.2	84.7%
Office/retail	9,654	3.1	7.2%
Investment properties			
Office/retail	4,323	1.4	3.2%
Hotel properties	6,520	2.1	4.9%
Net debt (excluding restricted cash)	(47,379)	(15.1)	
Outstanding land premium	(1,000)	(0.3)	
Outstanding LAT	(33,639)	(10.7)	
Est. 12M forward NAV	**51,854**	**16.5**	**100.0%**

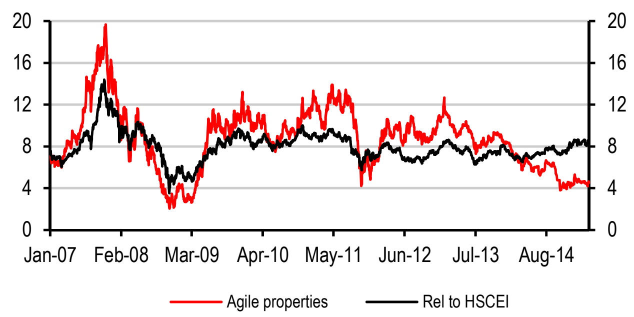
Source: HSBC estimates

NAV discount chart



Source: Company data, Thomson Reuters Datastream , HSBC estimates

Price relative



Source: Thomson Reuters Datastream, HSBC estimates

Note: Priced at close of 26 March 2014

Still deep in repair mode

- Earnings missed but dividend beats our expectation
- Margins coming under pressure, and unlikely to rebound in the short term
- Net gearing ratio while contained, remains at an elevated level

Over the past year we had been talking about Agile needing to change and play a more defensive strategy, and they did. In FY14 they cut prices meaningfully (contracted sales ASP down 16%) to maintain a decent contracted sales momentum, and although they still missed the full year target, we could say that it was a challenging year and they have kept up with peers. Things could have been far worse if they remained margin focused. However, it has also become apparent that this needs to be a long term exercise and not a one year exercise, as leverage remains at a relatively high level and there is still short term refinancing pressure (>Rmb16bn of debt coming due in FY15). While land appetite has been restrained in FY14 and they have also cut back new starts to alleviate the inventory pressure, contracted sales will need to be cranked up a gear (much higher than the 2% growth forecast) for a meaningful improvement in fundamental dynamics.

We would say that Agile is still in repair mode, to revert the over aggressive landbank expansion that was well ahead of its sales execution in the past years. With a low level of secured and unbooked sales, the company will be more exposed to effect of price cuts to drive sales volume, and consequently the margin pressure that will weigh down on profitability in the near term. We believe management understands what needs to be done, but the market will need to see further proof of material change to the business model. FY15 will continue to be a stern test for the company in view of the still uncertain market conditions and a significant amount of short term maturity to take care of.

How did the numbers stack up?

FY14 core earnings (after PCS distribution) were down 15% y-o-y and 11% below our forecast. Due to the slight dilution impact of the rights issue, core EPS was down 17.8% y-o-y. The main deviation with our forecast came from: (1) higher than expected SG&A expenses; and (2) continual loss at the associate/JCE level. Revenue and gross profit were broadly in line with our expectation, and hence also the GPM at 32.4% (vs. our 33.3%). We have discussed the rapid rise of SG&A a year ago, and that has continued to go up at a faster rate than contracted sales and even more so recognized revenue. This is certainly an area that the company will need to work on, as the higher SG&A and the loss at the associate/JCE level combined to push core profit margin to 10.3%, which is a new low point in history.

The effective interest cost as reported by the company is 7.87% which is marginally below that of FY13. The total interest outlay (including capitalized interest) is Rmb3.65m (+36% y-o-y), while total debt increased by 7% y-o-y to Rmb42.3bn. If we include the PCS as debt then the total interest outlay is Rmb4bn (+33% y-o-y), while total debt increased by 6.4% to Rmb46.8bn.

Dividend payout was ahead of our expectation with a full year DPS of HKD0.395 (Rmb0.32), representing a payout ratio on core profit of 28%. Despite the earnings miss, the dividend yield is attractive at 8.8%, and the final DPS (HKD0.25) alone yielding 5.5%.

Margin comparison among peers (reported)

Company	Gross margin			Core margin		
	FY13	FY14	Var. (ppt)	FY13	FY14	Var. (ppt)
Agile	35.6%	32.4%	-3.2	13.2%	10.3%	-3.0
Country Garden	30.3%	26.1%	-4.2	13.6%	10.4%	-3.2
CR Land	28.2%	30.6%	2.4	13.2%	13.4%	0.1
GZ R&F	39.2%	35.5%	-3.8	16.0%	15.3%	-0.7
KWG	36.2%	35.5%	-0.7	24.7%	21.7%	-3.0
Longfor	27.8%	26.5%	-1.3	15.0%	13.0%	-2.0
Sino-Ocean	24.3%	21.0%	-3.3	9.8%	9.2%	-0.6
Yanlord	35.5%	29.2%	-6.2	9.9%	5.5%	-4.4
Simple average			**-2.5**			**-2.1**

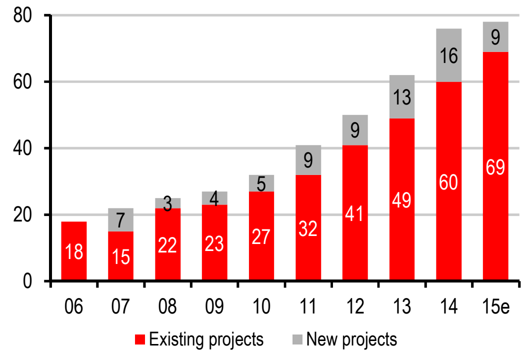
Source: Company data, HSBCe

Need to keep cranking up the sales engine

Agile made a strong push in sales execution in 1H14 which saw 1H contracted sales grew by 34% y-o-y. However, the sales momentum slowed in 2H (-5% y-o-y) and they missed the FY14 sales target of Rmb48bn by around 10%. The strong push in sales execution last year actually came with significant price discounting, as while volume was up 32% y-o-y to over 4.5mn sqm, ASP was down 16% y-o-y to Rmb9,625sqm. Management has set quite a conservative FY15 contracted sales guidance of Rmb45bn, which represents a mere 2% y-o-y increase, and cited a reason being that they do not want to miss their target again.

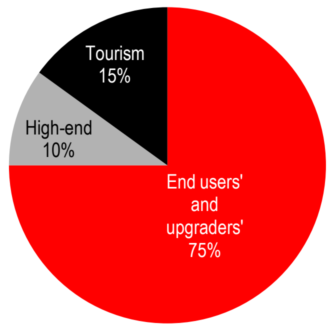
The company will have a total of 78 projects for sale in FY15, which is the same as last year. However, the total number of brand new projects will come down to 9 (from 16 in FY14) and the total GFA of only 0.86mn sqm, which is 11% of sellable resources in FY15. This could be a result of the slowing down in land acquisition and also new starts. Majority of the brand new project will be launched between 2Q and 3Q. With 0.86mn sqm of brand new projects, and 4mn sqm of new phases of existing projects, the remainder 2.74mn sqm (total sellable resources 7.6mn sqm) will be inventory sales. In FY14, the completed properties held for sale amounted to RMB16.1bn, which is up 23% y-o-y after the 65% y-o-y surge in FY13. The company did make some progress in inventory clearance in terms of reducing the age of the inventory. The Rmb16.1bn completed properties held for sale includes Rmb8bn of new completion addition, which means the company has sold down Rmb5bn of the Rmb13bn completed inventory in FY13. We expect with the cut back in new starts and continual focus on inventory clearance, the completed inventory level should stabilize from FY15 onwards. Assuming an ASP of between Rmb9,500-10,000/sqm, the required sell through rate to hit the sales target will be between 60-62%, which is in line with the achievement in FY14.

No. of projects in the pipeline



Source: Company data

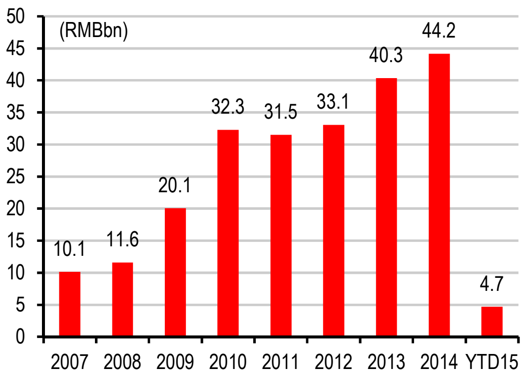
Composition of saleable resources (by GFA)



Source: Company data

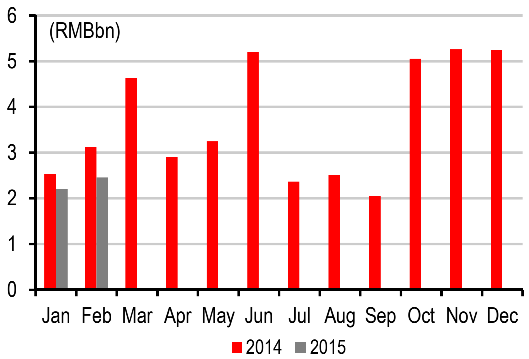
Contracted sales growth for the first two months of FY15 amounted to Rmb4.67bn, down 17.5% y-o-y, in line with the weak broad industry trend thus far. The contracted GFA was largely flat y-o-y but ASP has declined by 16.8% y-o-y to Rmb10,065/sqm. The required monthly sales to hit the Rmb45bn target will be Rmb4bn, or 10% above the average monthly sales of FY14. Management has indicated cumulative contracted sales to March could reach the Rmb7bn level, but that is still far from the level we need to see for the company to be able to hit its full year target.

Historical contracted sales



Source: Company data, HSBC estimates

Contracted sales momentum



Source: Company data, HSBC estimates

In our view, one issue that Agile must work on is the low level of pre-secured sales revenue, which means there will be a lot of pressure on same year sales that will make up their earnings. In the case of a period of uncertain market conditions, they will need to cut back on pricing and sacrifice margins or else absolute earnings may suffer. FY14 seems to be the case. Management has discussed the need to speed up asset turn by shortening the average launch cycle of new projects and we agree that this is critical for the long term health of the company, to reconfigure its own development cycle and timing of land purchase, presale launch and earnings recognition. We recall years ago that the company talked about launching projects later in the development cycle to achieve better pricing/margin with a more tangible product that potential buyers can relate to. However, today's market conditions change rapidly and with balance sheet pressure building, that practice will need to change.

Margin settling on lower level but no quick turnaround

FY14 saw both GPM and core margin settling to a low of 32.4% and 10.3% respectively. Key reason for the decline in GPM is price discounting that saw recognized ASP falling 13.5% y-o-y to Rmb9,278/sqm. On the core margin level, it was a combination of the higher SG&A and the loss on the associate/JCE level, and this was already mitigated by the one-off Rmb799mn gain from the profit sharing of a primary development project. Management is guiding for property development for sales GPM to be around 28-30% level, and we estimate that overall GPM will be around 31% for FY15. We have assumed that SG&A expenses peaked out in FY14 and will decline slightly in FY15 mainly from a cut back in selling and marketing expenses as the company seeks to rationalize cost. We have also assumed that the loss in associate/JCE level will turn to breakeven. However, with the absence of the one-off primary development gain in FY14, we still expect core margin to further decline to 9.5% in FY15. From there on, we expect very marginal improvement, but the key will be the speed and magnitude of the broader market recovery. If the company engages in asset sale for its commercial properties, the margin recovery will speed up but that is currently not our base case forecast.

Leverage reduction required, not merely control

We assume PCS as debt and deduce that the net gearing level for FY14 at 105%, which is flat from FY13 and a marginal improvement from the interim period. The company has been much more disciplined in landbank expansion during the year with only some Rmb2.4bn in new land commitment, but it is still weighed down by the aggressive landbank expansion pre FY14 which they have failed to keep up with enough contracted sales growth momentum. Strict discipline of only very selective new landbank add is a necessity, but to bring down the leverage, Agile will need to really accelerate its contracted sales growth or dispose some non-core assets or really a combination of both. Management has indicated that they will be exploring the possibility of returning some sites to the government even at a cost if they deem that economics of development is not justified, because whilst land cost may not be high, the construction outlay will be a burden. The land acquisition budget for FY15 is Rmb5.5bn and most investors will agree that this may be too ambitious given the state of the balance sheet and the abundant landbank and in particular inventory balance.

New land acquisitions

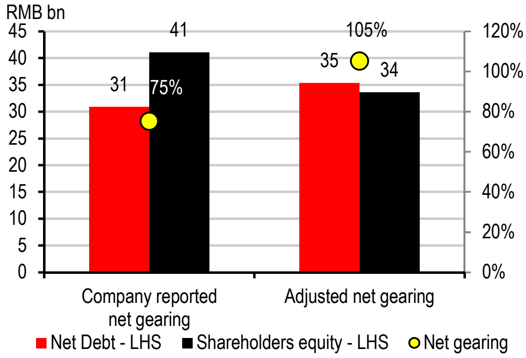
Projects	City/District	Attri. interest	Land Cost (RMB/sqm)	Site Area (sqm)	Planned GFA (sqm)	Attributable Land Cost (RMBm)
2014						
Site in Dali Town, Nanhai	Foshan	100%	4,647	44,786	143,315	666
Site in Agile Evian Town	Changsha	100%	431	328,674	591,615	255
Site in Agile Eden	Tengchong/ Yunnan	100%	156	387,991	635,865	99
Site in Tongguling	Wenchang/ Hainan	100%	675	110,098	330,294	223
Site in Agile Pure Moon Bay	Wenchang/ Hainan	100%	2,224	44,064	48,471	108
Site in Chenzhou	Chenzhou	100%	638	121,066	145,279	93
Site in Mont Kiara, Kuala Lumpur	Kuala Lumpur/ Malaysia	70%	2,051	41,130	167,100	240*
Site in Bukit Bintang,Kuala Lumpur	Kuala Lumpur/ Malaysia	70%	6,807	15,174	151,961	724*
			1274	**1,092,983**	**2,213,900**	**2,407**
2015						
Site in Agile Evian Town, Changsha	Changsha	100%	66	82,237	148,026	66

Note: Payable land cost is calculated based on attributable interest of the respective land
Source: Company data, HSBC estimates

Cash collection ratio has improved in FY14 to over 80% and the aim is to further improve on that in FY15. The company now has a dedicated team that follow up on receivables related to sales to improve the cash collection ratio.

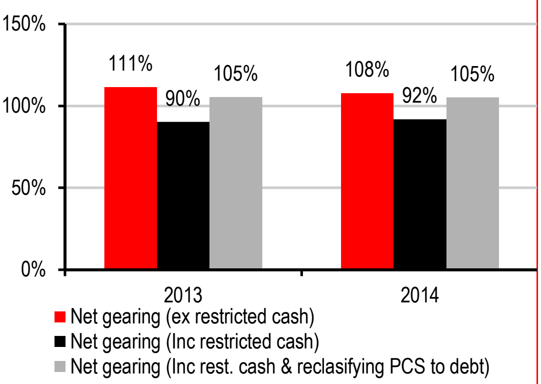
Agile has Rmb16.47bn of debt maturity to deal with in FY15, of which Rmb11.45bn (69.5%) are bank loans and Rmb5.02bn are onshore trust loans. Of the bank loans, Rmb6.3bn is onshore construction loans that should be able to be rolled over. The remaining Rmb5bn equivalents are Hong Kong bank loans, with maturity in May, November and December. The company will be looking at refinancing opportunities in 2H of the year. The onshore trust loans will be partially repaid and partially rolled into new loan arrangements.

Net gearing (company reported vs adjusted net gearing)



Note: Adjusted net gearing has included restricted cash, excl minorities & reclassified PCS to debt in the calculation
Source: Company data, HSBC estimates

Net gearing trend



Note: The net gearings above have excluded minority interest in the calculation
Source: Company data, HSBC estimates

What's changed?

We cut our FY15 and FY16 core net profit forecast (net of PCS distributions) by 9.8% and 7.7%, respectively, to RMB4.3bn and RMB4.9bn, as we have trimmed project-level profitability resulting in a downward revision of GPM by 2.3ppt and 1.7ppt to 31.1% and 31.7% in FY15 and FY16, respectively. Consequently, we have revised down our core margin by c1.5ppt in both FY15 and FY16 to 9.5%. Our FY15 contracted sales forecast is cut by c7%, to RMB45bn, to match management's guidance. We introduce our FY17e core net profit (net of PCS distribution) at RMB5.7bn, representing growth of 16% y-o-y.

Despite the cut in dividends, the payout ratio is higher than our initial forecast. Assuming that this payout ratio will hold steady over the forecast period, we increased our DPS by 31% and 34% respectively for FY15 and FY16.

Valuation and risks

We establish a Hold rating on the stock and see fair value TP at HKD5.00 based on an unchanged target discount of 70% (1 SD below mean) to our fair value NAV estimate. We have increased our fair value NAV estimate by c1% to HKD16.50/share after factoring in the new land acquisition and updated development schedule. Downside risks include slower-than expected contracted sales; lower-than-expected achieved ASP which would result in margin compression; over-spending on new acquisitions, which might increase financial strain, and uncertainties related to macroeconomic and property-specific policies in China. Upside risks include stronger-than-expected sales performance relative to annual target; higher-than-expected ASP and/or improved cost efficiency that should see an improvement in profitability.

FY14 results review

Agile reported core net profit of RMB3,929m, down 16% y-o-y. This was 11% below our estimate and 7% below consensus. The main deviation from our estimate came from (1) higher than expected SG&A expenses; and (2) continual loss at the associate/JCE level. A final DPS of HKD0.25 was declared, bringing the full year dividend to HKD0.395 per share.

The gross margin declined 3.2ppts y-o-y to 32.4%, primarily due to the change in geographical mix with higher proportion of relatively low gross profit margins projects and an increase in the unit cost of sales. The core net profit margin dropped 3ppts y-o-y to 10.3%. The key highlights of the results are as follows:

Revenue growth driven by an increase in booked GFA. Revenue from sales of properties was up 7.5% y-o-y to RMB37,037m from RMB34,467m. This was mainly driven by 24% y-o-y growth in booked GFA to 3.99m and partially offset by 13.5% decline in ASP to RMB9,278/sqm.

Other revenues posted strong growth. Other revenues, consisting of property management income, and income from hotel operations and investment property rentals, up by 32% y-o-y. Management income rose 25% y-o-y to RMB683m due to increased GFA managed (23.09 m sqm vs 22.66m sqm) while hotel income posted y-o-y growth of 43% to RMB527m due to revenues generated from the Shanghai Marriott Hotel City Centre, Raffles Hainan and Sheraton Bailuhu Resort Huizhou Hotel.

Net finance income due to changes in foreign exchange rates. The company recorded net finance income of RMB293m, down 40% y-o-y, as Agile recorded a exchange losses of RMB83m compared with net exchange gain of RMB558m in 2013. The interest capitalization rate has dropped by 3ppt y-o-y to 94%. During the year, Agile issued USD500m 8.375% senior notes due by 2019 and RMB2,000m 6.5% senior notes due by 2017.

SG&A expenses trended upwards. Selling and marketing costs were up 17% y-o-y to RMB1784m mainly due to the increase in advertising costs and commission fees on sales promotions. Administrative expenses rose 12% due to the company's expansion. SG&A expressed as a percentage of booked revenue and contracted sales was 8.4% and 7.3%, respectively, compared to 7.9% and 7.0% in 2013.

Agile FY14 results review

(RMBm)	2013	2014	2014e	y-o-y%	2014 Actual vs HSBC
Turnover					
Sales of properties	34,467	37,037	36,088	7.5%	3%
Property management	547	683	629	25%	9%
Hotel operations	368	527	965	43%	-45%
Property investment	54	70	357	30%	-80%
Total Turnover	**35,436**	**38,318**	**38,038**	**8%**	**1%**
Cost of sales	(22,822)	(25,887)	(25,368)	13%	2%
Gross Profit	**12,615**	**12,431**	**12,671**	**-1%**	**-2%**
Other income, gains & expenses	295	812	799	175%	2%
Selling and marketing costs	(1,523)	(1,784)	(1,412)	17%	26%
Administrative expenses	(1,285)	(1,437)	(1,297)	12%	11%
Fair value gains on investment properties	174	470	-	169%	
Finance income/(costs), net	488	(293)	(547)	-160%	-46%
Share of post-tax profit of an associate	(52)	(73)	383	39%	-119%
Profit before taxation	**10,713**	**10,126**	**10,630**	**-5%**	**-5%**
Income tax (ex LAT)	(2,307)	(2,587)	(1,838)	12%	41%
LAT	(2,544)	(2,448)	(3,276)	-4%	-25%
Profit for the year	**5,862**	**5,091**	**5,515**	**-13%**	**-8%**
Less: minority interests	(693)	(449)	(749)	-35%	-40%
Les: Holders of perpetual capital securities	(342)	(355)	(370)	4%	-4%
Net Profit	**4,827**	**4,287**	**4,396**	**-11%**	**-2%**
Revaluation gain on IP, net of tax	(132)	(358)	-	172%	
Core Profit	**4,695**	**3,929**	**4,396**	**-16%**	**-11%**
Reported EPS (RMB)	1.40	1.22	1.35	-13%	-10%
Core EPS (RMB)	1.36	1.12	1.25	-18%	-10%
DPS (HKD)	0.48	0.40	0.31	-17%	27%
Weighted number of shares	3,448	3,508		2%	
Contract sales (RMBm)	40,340	44,160	44,160	9%	0%
Margins				**ppt**	**ppt**
SG&A to contract sales ratio	7.0%	7.3%	6.1%	0.3	1.2
SG&A to turnover ratio	7.9%	8.4%	7.1%	0.5	1.3
Gross margin	35.6%	32.4%	33.3%	(3.2)	(0.9)
Reported NP margin	13.6%	11.2%	11.6%	(2.4)	(0.4)
Core profit margin	13.2%	10.3%	11.6%	(3.0)	(1.3)
LAT to property sales revenue	7.4%	6.6%	9.1%	(0.8)	(2.5)
Dividend payout ratio	28%	28%	20%		
Liquidity	**2013**	**2014**		**% change**	
Long-term borrowings	27,138	25,851		-5%	
Short-term borrowings	12,354	16,471		33%	
Cash (ex restricted cash)	6,784	6,068		-11%	
Cash (Inc restricted cash)	13,033	11,430		-12%	
Net Debt (ex restricted cash)	32,708	36,254		11%	
Net Debt (Inc restricted cash)	26,458	30,892		17%	
Shareholders equity (Ex MI and PCS)	29,366	33,651		15%	
Minority interest	2,715	2,961			
Perpetual capital securities (PCS)	4,486	4,483		0%	
Net gearing (ex restricted cash and Ex MI, Ex PCS)	111.4%	107.7%		(3.6)	
Net gearing (Inc restricted cash and Ex MI, Ex PCS)	90.1%	91.8%		1.7	
Net gearing (Ex rest. Cash, Ex MI & reclassified PCS to debt)	126.7%	121.1%			
Net gearing (Inc rest. Cash, EX MI & reclassified PCS to debt)	105.4%	105.1%		(0.2)	
Reported gearing (Inc restricted cash and MI, Incl PCS)	72.4%	75.2%		2.8	
Effective interest expenses (net of forex gains)	(2,123)	(3,654)		72%	
Effective interest expenses	(2,681)	(3,654)		36%	
Interest capitalised	2,612	3,444		32%	
Interest cap rate	97%	94%		(3.1)	
Effective interest cost	8.1%	8.9%		0.9	

Source: Company data, HSBC estimates

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), and/or strategist(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Derek Kwong, Michelle Kwok and Albert Tam

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

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

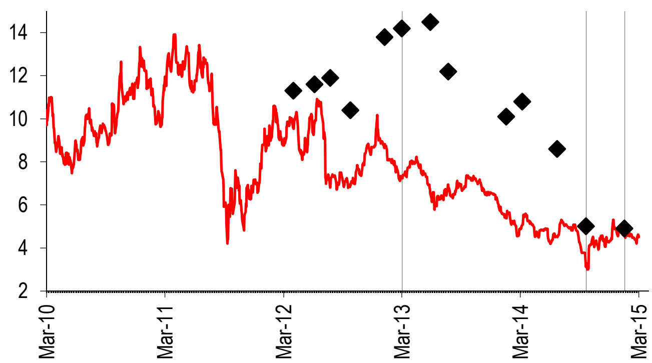
As of 25 March 2015, the distribution of all ratings published is as follows:

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

Agile Property (3383.HK) Share Price performance HKD Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
Overweight (V)	Overweight	25 March 2013
Overweight	Neutral	13 October 2014
Neutral	Neutral (V)	09 February 2015
Target Price	**Value**	**Date**
Price 1	11.29	24 April 2012
Price 2	11.59	28 June 2012
Price 3	11.89	16 August 2012
Price 4	10.39	17 October 2012
Price 5	13.79	30 January 2013
Price 6	14.19	25 March 2013
Price 7	14.49	20 June 2013
Price 8	12.19	15 August 2013
Price 9	10.09	09 February 2014
Price 10	10.79	31 March 2014
Price 11	8.59	16 July 2014
Price 12	5.00	13 October 2014
Price 13	4.90	09 February 2015

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
AGILE PROPERTY	3383.HK	4.51	25-Mar-2015	5, 6, 7

Source: HSBC

1 HSBC has managed or co-managed a public offering of securities for this company within the past 12 months.
2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
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