



Agile (3383 HK)

A Big Bay player with multiple drivers

- With 31% of its landbank located in the Big Bay Area, Agile is set to benefit from rising population in the region
- Hainan Clearwater Bay project entails a high gross margin with the low land cost
- A-Living's GFA under management jumped 40% HoH to 69.9mn sqm in June 2017; future growth is secured by ~10mn sqm of GFA delivered from Greenland annually under the investment cooperation management
- Initiate **BUY** with TP of HK\$ 16.70 based on a 50% discount to NAV

Benefiting from the Big Bay Area policy. Listed in 2005, Agile is one of the earliest Chinese developers listed in HK. As at June 30, 2017, the Group has a landbank GFA of 31.63 mn sqm in 45 cities across China, Kuala Lumpur of Malaysia, and South San Francisco in the U.S. Presale in Zhongshan, where Agile's headquarters are located, was RMB6.2bn in 1H17, equivalent to 15.3% of the Group's total presales during the period. With 31% of its landbank located in the Big Bay Area, Agile is set to benefit from the population inflow and housing demand inspired by economic development in the region. We are particular positive on cities in the PRD west, such as Zhongshan and Zhuhai, because transportation will be significantly improved with the completion of HK-Zhuhai-Macau Bridge and Shenzhong Expressway.

Hainan Tourism project will drive margin. Agile's Clearwater Bay project in Lingshui is one of the largest tourism development on Hainan Island. The project, with a total GFA of 5.2mn sqm, has been generating RMB 6-9bn in presales each year since 2012. Situated next to the Clearwater Bay Beach, the project is well received by buyers of vacation properties. Agile acquired the mega-scale project back in 2007-08 at an average land cost of RMB 245/sqm. We believe the low land cost would support Agile's margin in the next 5-8 years.

Property management business strengthened by Greenland acquisition. A-Living, Agile's property management subsidiary, has a GFA under management of 69.9mn sqm (+ 40% HoH) as at June 2017, of which 39.1mn sqm were developed by Agile while 30.84mn sqm were developed by independent third-party developers. In June 2017, A-Living also acquired Greenland Property Management at RMB 1bn; in Aug 2017, Greenland Holdings also subscribed 20% of total shares in A-living and became a strategic shareholder. Under the investment cooperation framework, Greenland will deliver ~10mn sqm of GFA per annum for A-living to manage during 2018-22.

Initiate BUY with TP HK\$16.70. Our valuation of Agile is based on the discount-to-NAV method. We apply a WACC of 10.6% to assess the value of individual projects and derive an end-2017E NAV of RMB 112.1bn, or HK\$ 33.49/share. We apply a 50% discount to our NAV estimates and our TP is HK\$16.70, implying 10.3x 2017E P/E and 1.4x 2017E P/B.

Results and Valuation

FY ended Dec 31	2015A	2016A	2017E	2018E	2019E
Revenue (RMB mn)	43,004	46,679	46,932	54,306	58,679
Chg (% YoY)	12.2	8.5	0.5	15.7	8.1
Core net profit (RMB mn)	2,429	2,744	4,477	5,431	6,200
Chg (% YoY)	(38.2)	13.0	63.2	21.3	14.2
Core EPS (RMB)	0.62	0.70	1.14	1.39	1.58
Chg (% YoY)	(38.2)	13.0	63.2	21.3	14.2
BVPS (RMB)	8.76	9.01	9.62	10.36	11.20
Chg (% YoY)	2.0	2.9	6.7	7.7	8.1
Core P/E (x)	14.7	13.1	8.0	6.6	5.8
P/B (x)	1.0	1.0	1.0	0.9	0.8
ROE (%)	7.1	7.8	11.9	13.4	14.1
ROA (%)	2.1	2.1	2.9	2.9	2.9
DPS(HK\$)	0.54	0.65	0.53	0.65	0.74
Yield (%)	5.0	6.1	5.0	6.1	6.9
Net gearing (%)	64.0	49.1	28.1	Net cash	Net cash

Source(s): Bloomberg, ABCI Securities estimates

Company Report

Initiation

Sep 27, 2017

Rating: **BUY**

TP: **HK\$ 16.70**

Analyst : **Kenneth Tung**

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Share price (HK\$)	10.70
Est. share price return	56.1%
Est. dividend yield	5.0%
Est. total return	61.1%
Previous Rating &TP	NA
Previous Report Date	NA

Source(s): Bloomberg, ABCI Securities

Key Data

52Wk H/L(HK\$)	12.92/3.73
Issued shares (mn)	3,917
Market cap (HK\$ mn)	41,911
3-mth avg daily turnover(HK\$ mn)	127.93
Major shareholder(s) (%)	
Chen's family	63.75%

Source(s): Bloomberg, ABCI Securities

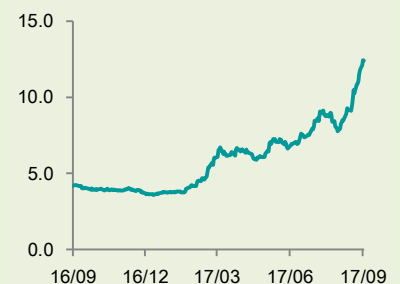
Share Performance

	Absolute	Relative*
1-mth	52.4	48.5
3-mth	79.8	64.2
6-mth	86.7	61.6

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year share performance(HK\$)

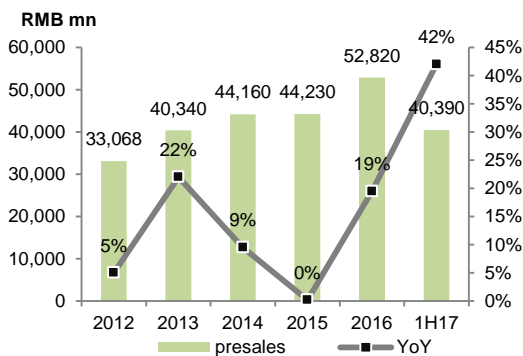


Source(s): Bloomberg, ABCI Securities

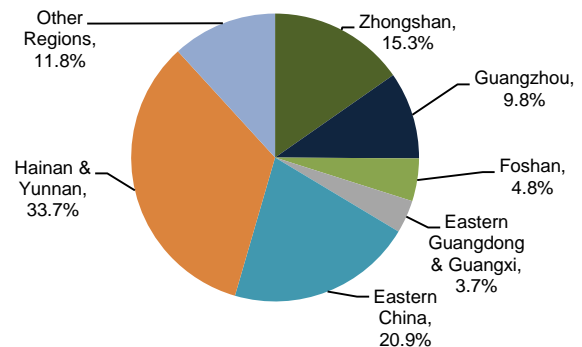
Two core drivers: Big Bay Area development and tourism properties

Big Bay Area exposure (31% of land bank)

Listed in 2005, Agile is one of the Chinese developers with the longest listing history on HKEx. As at June 30, 2017, the Group had a landbank GFA of 31.63mn sqm (average land cost: RMB1,854/sqm as at Jun 2017) in 45 cities across China, Kuala Lumpur of Malaysia, and South San Francisco of the U.S. The average land cost was RMB1,854/sqm, representing 15% of 1H17 presales ASP. 1H17 presale in Zhongshan, where Agile's headquarters are located, was RMB 6.2bn, or 15.3% of the Group's total presales during the period. As part of the Big Bay Area city clusters, property price in Zhongshan's secondary market has been growing rapidly, rallying by 28.9% between Jan and Sep 2017. As a Guangdong-focused developer, the Group has a landbank that covers other Big Bay Area cities such as Guangzhou, Foshan, Huizhou, and Zhuhai. With 31% of its landbank located in the Big Bay Area, Agile will benefit from population inflow and housing demand inspired by the swift economic development in the region. We believe cities in PRD west, such as Zhongshan and Zhuhai, will benefit immensely as transportation will be significantly improved by the upcoming completion of HK-Zhuhai-Macau Bridge (expected completion: 2017) and Shenzhong Expressway (expected completion: 2024).

Exhibit 1: Agile's presales


Source(s): Company, ABCI Securities

Exhibit 2: Agile's 1H17 presales breakdown (Total: RMB40.4bn)


Source(s): Company, ABCI Securities

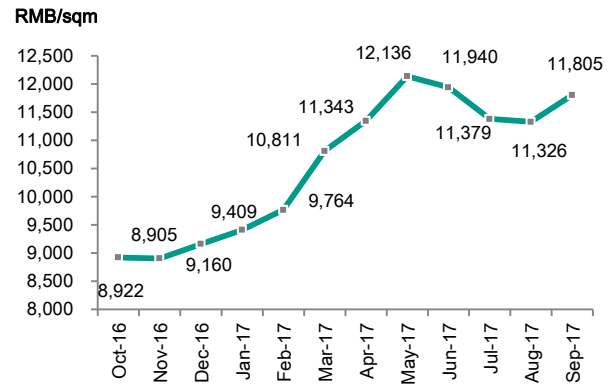
Exhibit 3: Agile's landbank in Jun 2017 (GFA: 31.6mn sqm)

Southern China			Eastern China			Western China and other regions			Hainan and Yunnan			Overseas		
Guangzhou 廣州	4.1%		Nanjing 南京	2.2%		Chengdu 成都	1.7%		Lingshui 陵水	16.5%		Kuala Lumpur 吉隆坡	1.0%	
Zhongshan 中山	14.0%		Changzhou 常州	1.8%		Xi'an 西安	2.6%		Dingan 定安	0.1%		South San Francisco 南三藩市	0.1%	
Zhuhai 珠海	0.6%		Yangzhou 揚州	1.3%		Chongqing 重慶	1.5%		Wenchang 文昌	1.1%				
Foshan 佛山	1.1%		Chuzhou 滁州	1.5%		Changsha 長沙	3.1%		Haikou 海口	2.2%				
Huizhou 惠州	11.2%		Wuxi 無錫	1.0%		Zhengzhou 鄭州	0.9%		Ruili 瑞麗	1.9%				
Heyuan 河源	2.7%		Kunshan 崑山	0.0%		Wuhan 武漢	1.3%		Tengchong 騰沖	12.1%				
Yunfu 雲浮	1.1%		Zhenjiang 鎮江	0.9%		Chenzhou 郴州	0.5%		Xishuangbanna 西雙版納	1.5%				
Nanning 南寧	0.7%		Nantong 南通	1.2%		Shenyang 瀋陽	2.4%							
			Shanghai 上海	1.1%		Tianjin 天津	1.8%							
			Suzhou 蘇州	0.7%		Beijing 北京	0.2%							
			Hangzhou 杭州	0.3%										
Total	35.5%			12.0%			16.0%			35.4%				1.1%

Source(s): Company, ABCI Securities

Exhibit 4: Infrastructure connecting PRD west and east


Source(s): Wenweipo, ABCI Securities

Exhibit 5: Property price in Zhongshan's secondary market


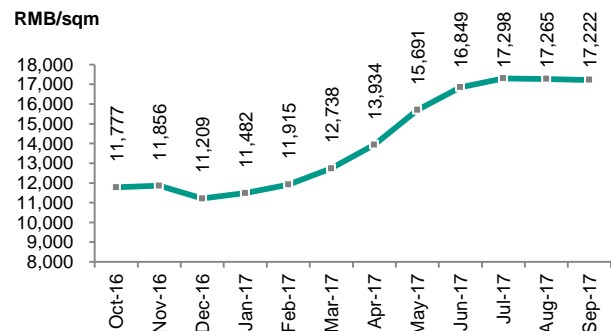
Source(s): Fang.com, ABCI Securities

Hainan Clearwater Bay- a mega tourism project (16.5% of landbank)

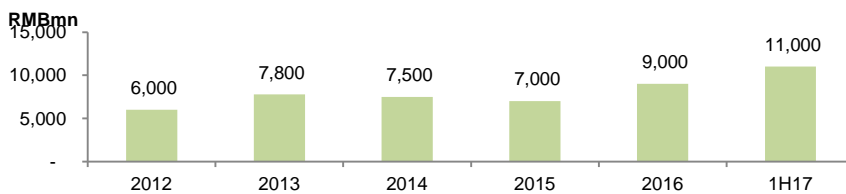
Agile's Clearwater Bay project in Lingshui is one of the largest tourism development on Hainan Island. The project, with a total GFA of 5.2mn sqm, has been generating RMB 6-9bn in presales each year since 2012. In 1H17, presales of the project reached RMB11bn, or RMB72bn in total since project debuted in 2009. Situated next to the Clearwater Bay Beach, the project has appealed to vacation property buyers with the enticing sea view. Agile acquired the site back in 2007-08 at an average land cost of RMB245/sqm (1H17 gross margin: >50%), which should help support the Group's margin in the next 5-8 years. Property demand for Hainan Island has recovered in 2017, as evidenced by the second-hand property price in Lingshui that rallied 54% between Jan and Sep 2017. In May 2017, Agile repurchased the 30% stake of the Clearwater Bay project sold to Morgan Stanley in 2008 (at RMB 5.3bn) for US\$ 900mn (or RMB 6.2bn).

Exhibit 6: Hainan Clearwater Bay


Source(s): Company, ABCI Securities

Exhibit 7: Property price in Lingshui, Hainan (secondary market)


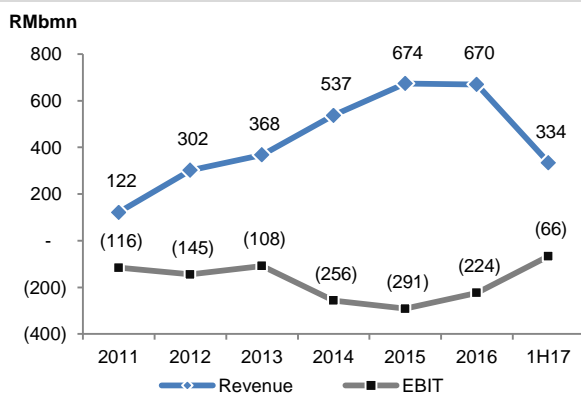
Source(s): Fang.com, ABCI Securities

Exhibit 8: Presales of Agile's Hainan Clearwater Bay Project


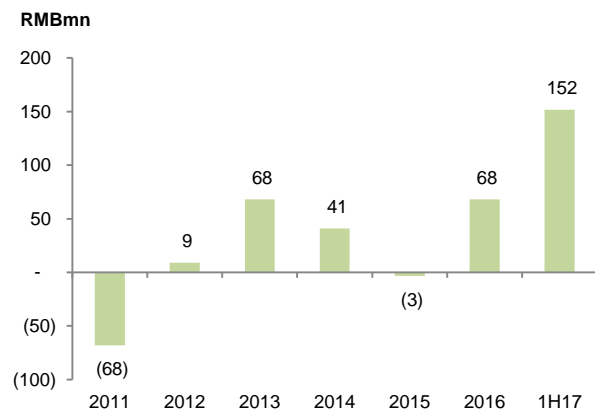
Source(s): Company, ABCI Securities

Hotel business: a complementary business to residential development

As of June 2017, Agile has nine hotels in operation, including Shanghai Marriott Hotel City Centre, Raffles Hainan, Sheraton Bailuhu Resort Huizhou, Howard Johnson Agile Plaza Chengdu, Holiday Inn Resort Hainan Clearwater Bay, Guangzhou Agile Hotel, Foshan Agile Hotel, Zhongshan Agile Hotel. and Tengchong Agile Hotel. While hotel revenue grew steadily from RMB 122mn in 2011 to RMB 670mn in 2016, the division has been loss-making at the EBIT level for the past six years. Nonetheless, excluding the high non-cash depreciation expenses, EBITDA would be RMB 68mn in 2016 and RMB157mn in 1H17. The hotel business may not be highly profitable on the book, but it has great synergies with the neighboring tourism property projects developed by the Group, bringing the benefits of: **1) LAT saving.** The tourism projects tend to have a very low land cost and high margin, hence LAT is usually rather high as well. Building expensive hotel facilities will increase overall construction cost and contain LAT to a more reasonable level; **2) better pricing power on residential projects.** The hotels will help improve overall image in the region and support ASP of residential projects nearby.

Exhibit 9: Agile's hotels - revenue and EBIT


Source(s): Company, ABCI Securities

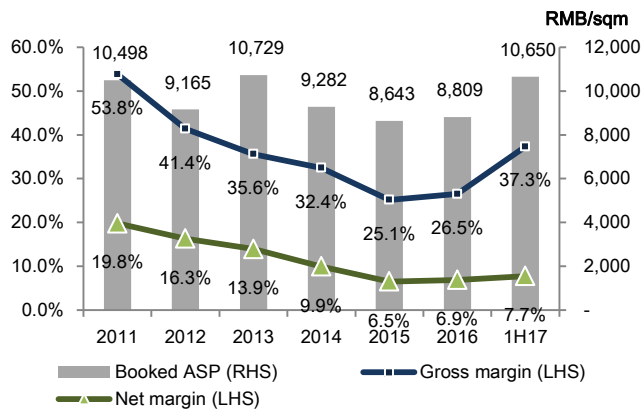
Exhibit 10: Agile's hotels - EBITDA


Source(s): Company, ABCI Securities

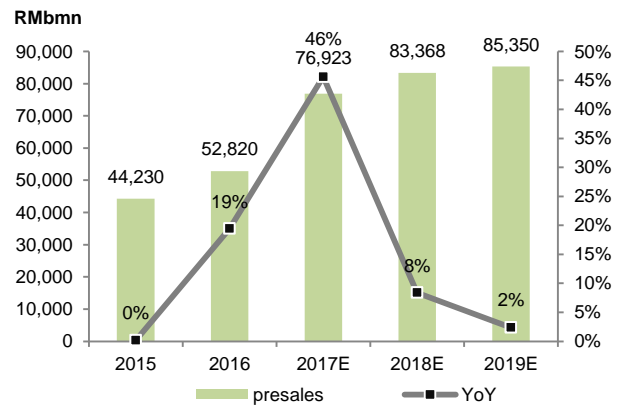
Presales and margin recovery on track

Agile's gross and net margins were declining in 2011-15 as booked ASP fell from RMB 10,498/sqm in FY11 to RMB 8,643/sqm in FY15. Given tourism projects are cyclical in nature, tightening measures implemented during the period have impacted the Group's overall sales and ASP. Since 2016, booked ASP has been improving gradually from RMB 8,809/sqm in FY16 to RMB 10,650/sqm to 1H17; gross margin also rebounded from 26.5% in FY16 to 37.3% in 1H17. We believe the Group's Big Bay Area exposure and recovery in tourism projects would elevate margin in the long term.

The Group lifted its FY17 presales target from RMB 60bn to RMB 65bn, while it is possible for the company to achieve RMB 80-90bn in presales for FY18 and RMB100bn for FY19. Without factoring in any future acquisitions, we expect Agile's presales to reach RMB 76.9bn for FY17E and RMB 83bn for FY18E.

Exhibit 11: Agile's booked ASP and gross margin


Source(s): Company, ABCI Securities

Exhibit 12: Agile's presales


Source(s): Company, ABCI Securities estimates

Exhibit 13: Agile's 1H17 results

P&L	1H17	1H16	YoY
	RMB mn	RMB mn	(%)
Turnover	22,315	22,558	(1.1)
Cost of Sales	(13,991)	(18,043)	(22.5)
Gross Profit	8,324	4,515	84.4
Gross Margin (%)	37.3	20.0	+17.3ppt
Selling and distribution costs	(823)	(1,031)	(20.2)
Administrative expense	(828)	(678)	22.2
EBIT	6,673	2,806	137.8
EBIT Margin (%)	29.9	12.4	+17.5ppt
Other income	239	117	104.3
Exceptional items	147	(226)	na
Fair Value gains on IP and others	28	11	na
Share of profit from JCE/ Assoc.	(97)	3	(3,535.1)
Finance cost	(522)	(467)	11.7
Profit before tax	6,468	2,244	188.2
Tax	(4,162)	(1,243)	234.9
- LAT	(2,493)	(532)	369.1
- Enterprise tax	(1,669)	(711)	134.6
Profit after tax	2,306	1,001	130.3
Minority Interest	(447)	(398)	12.5
Net profit	1,859	604	207.9
Core net profit	1,728	765	126.0
Core net margin	7.7	3.4	+4.3ppt

Source(s): Company, ABCI Securities

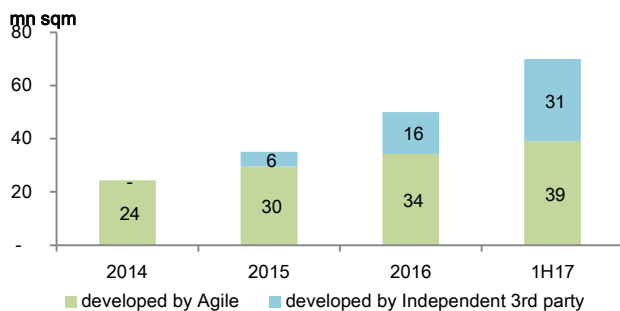
Operating statistics	1H17	1H16	YoY
			%
Contracted GFA (mn sqm)	3.25	2.86	13.3
Contracted ASP (RMB/sqm)	12,447	9,931	25.3
Contracted Sales (RMB mn)	40,390	28,444	42.0
GFA Delivered (mn sqm)	2.00	2.36	(15.1)
Booked ASP (RMB/sqm)	10,650	9,171	16.1
Booked sales (RMB mn)	21,332	21,635	(1.4)
Balance sheet	Jun-17	Dec-16	YoY
	RMB mn	RMB mn	
Gross debt	52,118	43,996	18.5
Cash	29,261	22,311	31.2
Net debt	22,857	21,685	5.4
Net gearing (%)	51.0%	49.1%	+1.9ppt

Property management: strengthened by Greenland acquisition

Dual-brand strategies

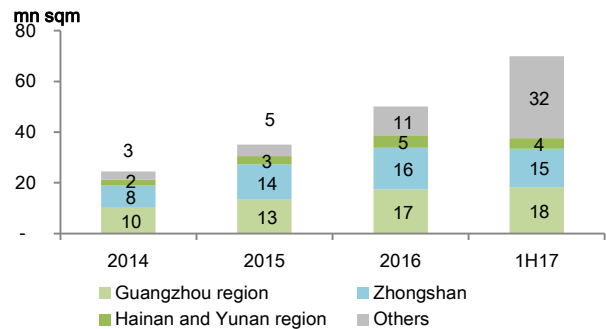
Agile conducts its property management business via the subsidiary, A-Living. According to the listing prospectus (spin-off proposed in Sep 2017), A-Living's GFA under management was 69.9mn sqm (+ 40% HoH) as at June 2017, of which 39.1mn sqm were developed by Agile and 30.84mn sqm were developed by independent third-party developers. In June 2017, A-Living acquired Greenland Property Management at RMB1bn; in Aug 2017, Greenland Holdings injected RMB1bn for 20% stakes in A-Living and became a strategic shareholder. Under the investment cooperation framework, Greenland would deliver at least 7.0mn sqm of GFA per annum for A-living to manage during 2018-22. Greenland will prioritize A-Living in its selection of property management service providers for another 3.0mn sqm transferred for management per annum during the same period. Supported by Agile and Greenland, A-Living operates under the two renowned brands – Agile Property Management (APM) and Greenland Property Services (GPS). The APM brand will focus on vacation property management industry. According to China Index Academy (CIA), A-living was ranked first among the top 100 property management companies in China. The company provides management services for 16 vacation properties (total GFA under management: 5.0mn sqm) in Guangdong, Hainan, Yunnan, and Hunan.

Exhibit 14: A-Living: GFA under management by projects



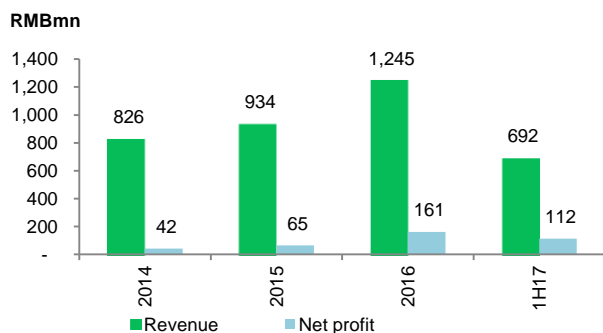
Source(s): Company, ABCI Securities

Exhibit 15: A-Living: GFA under management by region



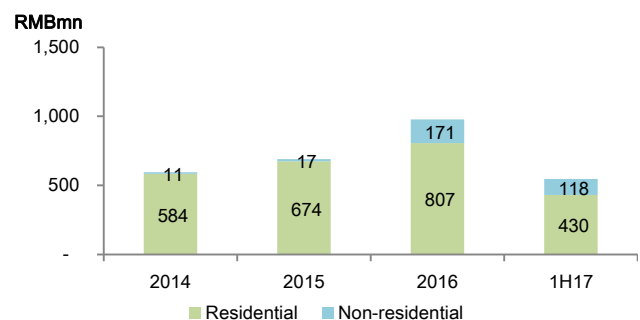
Source(s): Company, ABCI Securities

Exhibit 16: A-Living: revenue and net profit



Source(s): Company, ABCI Securities

Exhibit 17: A-Living: revenue by property type



Source(s): Company, ABCI Securities

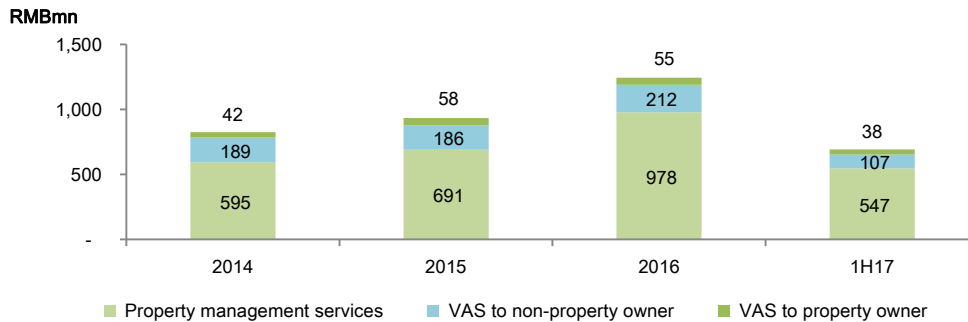
O2O platform is progressing well

Leveraging on the increasing penetration of smartphones, A-Living launched a one-stop service platform in May 2016 that includes (i) key mobile applications, including "A-Steward", "A-Business", "A-Assistant", and "A-Steward" WeChat public

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account; (ii) offline services, including A-Living Experience Centre; (iii) a merchandise supplier and service provider network platform named A-Steward Alliance. Through the Alliance, A-Living established a pool of, and a strong business relationship with, qualified vendors to enhance the quality of our services and provide more choices for our clients. As of June 30, 2017, A-Steward covered all residential properties managed by APM, and its O2O platform has 162,460 registered users, of which 94,711 are active users.

Exhibit 18: A-Living's revenue's breakdown

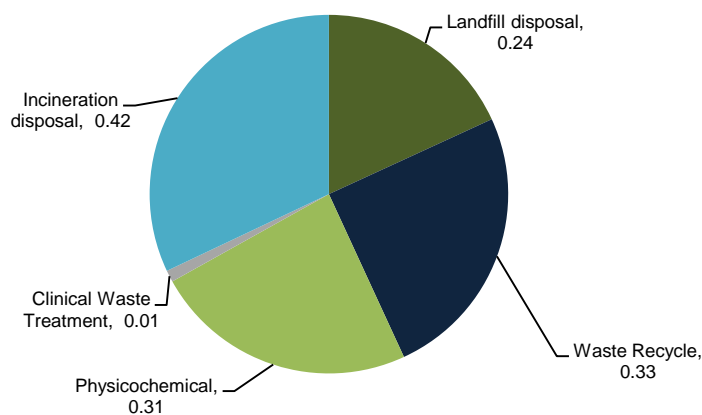


Source(s): Company, ABCI Securities

Agile Environmental Protection

As the strategic arm of Agile for diversified development, Agile Environmental Protection is engaged in providing comprehensive services in three primary areas: solid waste treatment, environmental restoration and water affairs, including hazardous waste treatment, domestic garbage treatment, food waste treatment, mud treatment, soil quality restoration, water environment restoration, sewage treatment and water production. By end-2016, Agile Environmental Protection had processed over 700,000 tons of hazardous wastes per year, whereas its tap water supply and sewage treatment capacity reached ~80,000 tons/day. As of Jun 2017, Agile has 16 waste treatment plants and 1 Greentech project, with a planned waste treatment annual processing capacity of 1.32mn tonne.

Exhibit 19: Planned waste treatment annual processing capacity (mn ton)



Source(s): Company, ABCI Securities



Initiate BUY with TP of HK\$16.70 based on a 50% discount to NAV

Our valuation for Agile 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 10.6% to assess the value of individual projects; total value of property development projects arrives at RMB 128.6bn.
- **Property investment, property management and hotels:** their values are calculated based on a 6.0% cap rate for investment properties, 22x 2017E P/E for property management business and 10x EBITDA for hotels. These add RMB 8.2bn to the GAV.

We subtract our 2017E net debt estimate (RMB 19.1bn) and PCI balance (RMB5.6bn) from the end-2017E GAV of RMB 136.8bn to derive our end-2017E NAV of RMB 112.1mn, or HK\$ 33.49/share. We apply a 50% discount to our NAV estimates and derive our TP of HK\$16.70, implying 10.3x 2017E P/E and 1.4x 2017E P/B, or 9.0x 2018E P/E and 1.3x 2018E P/B.

Agile's valuation at 8.0x 2017E P/E with a 5.0% yield is comparable to the sector's average at 7.8x 2017E P/E with a 4.6% yield. We believe the Group deserves a premium valuation for its exposure in the Big Bay Area and tourism properties. We initiate **BUY** for the counter with a TP of HK\$ 16.70.

Exhibit 20: Agile's 2017E NAV

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development					
Southern China	12.9	42,691	31%	DCF with WACC of 10.6%	3,322
Eastern China	4.3	19,462	14%		4,516
Western China and other region	5.3	10,658	8%		2,014
Hainan and Yunnan	14.9	53,995	39%		3,616
Overseas	0.4	1,770	1%		4,257
Subtotal	37.8	128,577	94%		3,402
Property investment, property management & hotels		8,183	6%	6.0% cap rate for IP; 22x 2017E P/E for property management; 10x EBITDA for hotels	
Total 2017E GAV		136,760	100%		
2017E Net cash/ (debt)		(19,051)	-14%		
Perpetual capital instruments		(5,598)	-4%		
Total 2017E NAV		112,112	82%		
No. of share outstanding (diluted)		3,917			
NAV per share (RMB)		28.62			
Ex rate		1.17			
NAV per share (HKD)		33.49			
Target discount (%)		50%			
Target Price (HKD)		16.70			
WACC					
WACC	10.6%				
Cost of debt	6.0%				
Cost of equity	18.0%				
Debt/ (Debt + Equity)	55%				

Source(s): Company, ABCI Securities estimates



Exhibit 21: Valuation of the HK-listed Chinese developers

						Performance			Discount	Valuation									
China Property						Mkt. cap	Shr Price				P/E			Yield (%)			P/B		
Ticker	Rating	TP	(HKD bn)	(local ccy)		3M	YTD	2016	to NAV (%)	2016A	2017E	2018E	2016A	2017E	2018E	2016A	2017E	2018E	
						% Chg	% Chg	% Chg											
Residential :																			
COLI	688 HK	BUY	30.20	276.1	25.20	9	23	(22)	(33.30)	10.1	9.8	8.8	3.1	3.1	3.5	1.1	1.1	1.0	
Vanke-H	2202 HK	NR		339.4	24.85	12	40	30	7.86	13.6	8.9	7.5	3.7	4.6	5.5	2.1	1.8	1.5	
CR Land	1109 HK	NR		165.6	23.90	7	37	(20)	(32.94)	10.3	8.8	7.5	2.9	3.3	3.8	1.4	1.3	1.1	
Country Garden	2007 HK	NR		259.1	12.14	36	180	43	14.53	18.5	13.7	9.9	1.7	2.4	3.1	2.8	2.7	2.2	
Evergrande	3333 HK	BUY	28.40	342.1	26.05	86	439	(23)	(35.86)	105.6	8.1	8.1	0.0	0.0	6.2	7.3	4.3	3.4	
Longfor	960 HK	NR		110.4	18.74	17	90	(11)	(28.58)	12.2	9.5	7.8	2.9	3.8	4.7	1.5	1.3	1.2	
Sunac	1918 HK	SELL	9.70	130.8	31.65	111	391	13	31.11	68.3	49.8	32.9	0.9	0.8	1.2	4.5	4.3	4.0	
Guangzhou R&F	2777 HK	NR		57.1	17.72	46	89	12	(24.01)	7.4	6.0	5.0	6.6	7.0	7.8	1.1	0.9	0.8	
Shimao	813 HK	NR		52.4	15.46	13	52	(21)	(47.59)	7.2	6.3	5.3	4.7	5.7	6.4	0.8	0.8	0.7	
SZI	604 HK	BUY	4.20	28.0	3.52	(0)	13	(9)	(66.43)	9.9	8.7	5.8	6.3	5.8	8.6	0.8	0.7	0.7	
Sino Ocean	3377 HK	NR		37.4	4.96	29	43	(27)	(52.99)	12.0	8.2	6.7	4.1	4.9	6.1	0.7	0.7	0.6	
Logan	3380 HK	BUY	8.30	44.5	8.10	57	176	17	(51.21)	12.6	8.1	5.8	3.1	4.9	6.0	2.0	1.8	1.5	
Aqile	3383 HK	BUY	16.70	41.9	10.70	49	171	1	(68.05)	13.1	8.0	6.6	6.1	5.0	6.1	1.0	1.0	0.9	
CIFI	884 HK	BUY	5.20	32.3	4.30	37	106	30	(52.10)	8.6	7.0	5.7	4.0	4.8	5.0	1.6	1.4	1.2	
KWG	1813 HK	NR		25.2	7.99	51	82	(18)	(51.87)	7.1	5.9	4.9	5.8	6.2	7.4	0.8	0.8	0.7	
Yuexiu Properties	123 HK	NR		19.2	1.55	17	46	(17)	(39.92)	16.4	9.1	7.8	4.3	4.6	5.5	0.5	0.5	0.5	
Greentown	3900 HK	HOLD	7.60	20.2	9.34	9	49	(18)	(50.58)	14.3	7.1	5.7	1.5	2.8	3.5	0.7	0.7	0.6	
Yuzhou	1628 HK	BUY	6.90	17.5	4.19	(8)	55	39	(69.60)	6.7	4.6	3.0	5.3	7.8	12.0	1.3	1.0	0.8	
BJ Capital Land	2868 HK	NR		13.2	4.35	17	49	(11)	(20.91)	12.3	6.6	4.7	5.4	6.0	7.9	0.7	0.7	0.6	
LVGEM	95 HK	BUY	2.50	10.7	2.28	(2)	(5)	(1)	(64.00)	26.3	21.8	20.2	2.2	2.8	3.0	1.8	1.8	1.7	
Fantasia	1777 HK	BUY	1.37	6.5	1.12	1	13	13	(66.62)	8.6	7.1	5.0	4.5	4.5	5.4	0.5	0.5	0.5	
Times Property	1233 HK	BUY	8.80	14.1	7.70	62	103	49	(56.35)	6.6	5.5	4.6	4.8	5.4	6.5	1.3	1.1	1.0	
HK Listed Avg						27	79	2	(42.07)	11.0	7.8	6.2	4.1	4.6	5.7	1.2	1.1	1.0	
- Large cap (>HKD30b), ex Evergrande and Sunac						20	73	20	(20.58)	11.3	9.0	7.4	3.7	4.3	5.0	1.5	1.4	1.2	
- Small-mid cap (<HKD30b), ex LVGEM						26	77	2	(53.94)	10.8	7.2	5.6	4.2	4.8	6.1	1.0	0.9	0.8	

Source(s): Bloomberg, ABCI Securities estimates

Exhibit 22: Valuation of the Chinese property management company

						Performance			Valuation										
China Property						Mkt. cap	Shr Price				P/E			Yield (%)			P/B		
Ticker	Rating	TP	(HKD bn)	(local ccy)		3M	YTD	2016		2016A	2017E	2018E	2016A	2017E	2018E	2016A	2017E	2018E	
						% Chg	% Chg	% Chg											
Residential :																			
Greentown Services	2869 HK	NR		13.3	4.78	15	82	na	57.5	28.5	21.3		1.0	1.2	1.7	6.6	5.6	4.7	
China Overseas	2669 HK	NR		5.9	1.81	17	36	45	26.5	19.7	16.2		1.2	1.7	2.0	8.2	6.2	4.9	
Colourlife	1778 HK	NR		5.3	5.31	15	(8)	(19)	24.1	16.7	13.4		2.0	2.5	3.0	3.0	2.6	2.3	
Zhong Ao	1538 HK	NR		0.7	0.84	2	(26)	(57)	7.9	5.9	4.5		0.0	4.2	5.6	1.5	1.2	1.0	
PMC avg (Ex Zhong Ao)						16	36	13	36.0	21.6	17.0		1.4	1.8	2.2	5.9	4.8	4.0	

Source(s): Bloomberg, ABCI Securities estimates



Risk factors

High LAT expenses. A high land appreciation tax (LAT) is applicable to Agile's Clearwater Bay project that has a very low land cost. Despite the gross margin at 37.3% in 1H17, LAT and enterprise tax together represents 64% of profit before tax. Core net margin was low at 7.7%.

Diversification to non-property related business. Since 2016, Agile has begun to invest in environmental protection business – a relatively new segment whose track record has yet to be established. New operation could result in operating losses in early stages.

Loss-making hotel business. Hotels business registered an operating loss of RMB 224mn in FY16. The business is highly sensitive to economic environment, meaning that such losses may widen and erode bottom line if a downturn occurs.

Consolidated income statement (2014A-2019E)

FY Ended Dec 31 (RMB mn)	2014A	2015A	2016A	2017E	2018E	2019E
Revenue	38,318	43,004	46,679	46,932	54,306	58,679
Cost of sales	(25,887)	(32,191)	(34,313)	(29,594)	(34,768)	(37,586)
Gross Profit	12,431	10,813	12,366	17,337	19,538	21,093
SG&A expenses	(3,535)	(3,312)	(3,752)	(5,712)	(6,632)	(7,304)
EBIT	8,896	7,501	8,614	11,625	12,906	13,789
Finance cost	(210)	(417)	(637)	(1,012)	(1,001)	(934)
Share of profit of associates	(73)	(115)	7	-	-	-
Other income/ (expenses)	179	212	279	219	410	740
Fair value gain of investment properties	470	-	-	-	-	-
Disposal/one-off items	863	(985)	(779)	-	-	-
Profit before tax	10,126	6,196	7,483	10,832	12,314	13,596
Tax	(5,035)	(3,895)	(4,433)	(5,524)	(6,132)	(6,645)
Profit after tax	5,091	2,302	3,050	5,308	6,182	6,951
Minority interest	(449)	(553)	(351)	(355)	(275)	(275)
Reported net profit	4,642	1,749	2,699	4,953	5,907	6,676
Less: exceptional items	(713)	680	45	(476)	(476)	(476)
Underlying net profit	3,929	2,429	2,744	4,477	5,431	6,200
Per share						
Underlying EPS (RMB)	1.00	0.62	0.70	1.14	1.39	1.58
DPS (HK\$)	0.40	0.54	0.65	0.53	0.65	0.74
Payout ratio (%)	39%	87%	93%	47%	47%	47%
BVPS (RMB)	8.59	8.76	9.01	9.62	10.36	11.20
Growth %						
Revenue	8.1%	12.2%	8.5%	0.5%	15.7%	8.1%
Gross Profit	-1.5%	-13.0%	14.4%	40.2%	12.7%	8.0%
EBIT	-8.9%	-15.7%	14.8%	35.0%	11.0%	6.8%
Underlying net profit	-10.7%	-38.2%	13.0%	63.2%	21.3%	14.2%
Margin %						
Gross margin	32.4%	25.1%	26.5%	36.9%	36.0%	35.9%
Gross margin (post-LAT)	27.0%	20.9%	21.8%	30.4%	30.0%	30.1%
EBIT margin	23.2%	17.4%	18.5%	24.8%	23.8%	23.5%
Core net margin	9.9%	6.5%	6.9%	10.3%	10.5%	11.0%
Key assumptions						
Contracted Sales (RMB mn)	44,160	44,230	52,820	76,923	83,368	85,350
GFA sold (mn sqm)	4.59	5.07	5.30	6.39	6.79	6.69
ASP (RMB/sqm)	9,625	8,725	9,962	12,046	12,285	12,761
Booked Sales (RMB mn)	37,037	41,421	44,752	44,615	51,638	55,680
GFA delivered (mn sqm)	3.99	4.79	5.08	3.70	4.21	4.47
Booked ASP (RMB/sqm)	9,282	8,643	8,809	12,046	12,258	12,461

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet (2014A-2019E)

As of Dec 31 (RMB mn)	2014A	2015A	2016A	2017E	2018E	2019E
Current assets	94,183	90,119	96,139	121,744	153,072	183,612
Cash	6,068	7,407	12,432	22,664	59,974	105,305
Restricted cash	5,362	5,730	9,879	9,879	9,879	9,879
Trade & other receivables	11,675	8,383	11,463	11,463	11,463	11,463
Property under development	66,656	61,412	50,683	66,056	60,073	45,282
Other current assets	4,422	7,186	11,683	11,683	11,683	11,683
Non-current assets	29,465	27,194	35,586	35,098	34,520	33,836
Property, plant & equipment	7,696	6,652	7,309	6,722	6,043	5,260
Investment properties	5,846	6,369	6,327	6,327	6,327	6,327
Investment in Associate and JCE	1,251	1,137	4,739	4,839	4,939	5,039
Other non-current assets	14,671	13,036	17,210	17,210	17,210	17,210
Total Assets	123,648	117,313	131,725	156,843	187,592	217,448
Current Liabilities	55,386	50,531	55,252	76,482	104,117	130,450
Short-term borrowings	16,471	16,487	12,815	14,815	11,815	8,815
Trade & other payables	17,333	15,621	21,102	21,102	21,102	21,102
Pre-sales deposits	9,216	7,111	10,617	29,848	60,483	89,815
Other current liabilities	12,366	11,312	10,717	10,717	10,717	10,717
Non-current liabilities	27,167	24,787	32,318	32,318	32,318	32,318
Long-term borrowings	25,851	23,543	31,181	31,181	31,181	31,181
Other payables	-	-	-	-	-	-
Other non-current liabilities	1,316	1,244	1,137	1,137	1,137	1,137
Total Liabilities	82,553	75,318	87,570	108,800	136,435	162,768
Net Assets	41,095	41,995	44,155	48,042	51,157	54,680
Shareholders' Equity	33,651	34,308	35,310	37,691	40,581	43,879
Perpetual capital instrument	4,483	4,489	5,598	5,598	5,598	5,598
Minority Interest	2,961	3,198	3,248	4,753	4,979	5,204
Total Equity	41,095	41,995	44,155	48,042	51,157	54,680
Key ratio						
Gross debt (RMB mn)	42,322	40,030	43,996	45,996	42,996	39,996
Net debt (RMB mn)	30,892	26,893	21,685	13,453	(26,857)	(75,188)
Net gearing (%)	75%	64%	49%	28%	-52%	-138%
Contracted sales/ Total assets (x)	36%	38%	40%	49%	44%	39%

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2014A-2019E)

FY ended Dec 31 (RMB mn)	2014A	2015A	2016A	2017E	2018E	2019E
EBITDA	9,318	7,937	9,142	12,233	13,604	14,592
Change in Working Capital	(4,364)	8,381	5,870	6,220	38,954	46,303
Tax payment	(4,367)	(6,021)	(5,380)	(5,524)	(6,132)	(6,645)
Operating cash flow	587	10,297	9,632	12,928	46,426	54,250
Purchase of PP&E	(965)	(329)	(870)	(20)	(20)	(20)
Addition of Investment Properties	(320)	(211)	-	-	-	-
Others	(329)	(160)	(2,849)	119	310	640
Investing cash flow	(1,614)	(699)	(3,719)	99	290	620
Debt raised	25,636	15,122	21,001	10,000	5,000	5,000
Debt repaid	(18,758)	(18,631)	(27,956)	(8,000)	(8,000)	(8,000)
Interest expenses	(2,990)	(3,161)	(2,746)	(3,375)	(3,337)	(3,112)
Equity raised	-	-	-	-	-	-
Dividend to shareholders	(1,761)	(766)	(1,276)	(2,095)	(2,542)	(2,902)
Others	(1,817)	(822)	10,088	674	(526)	(526)
Financing cash flow	311	(8,258)	(889)	(2,796)	(9,405)	(9,540)
Net cash inflow/ (outflow)	(716)	1,340	5,024	10,232	37,311	45,331
Cash- beginning	6,784	6,068	7,407	12,432	22,664	59,974
Cash- year-end	6,068	7,407	12,432	22,664	59,974	105,305

Source(s): Company, ABCI Securities estimates

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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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