

Main Board Listing – Research

雅居樂地產控股有限公司

Agile Property Holdings Limited [Stock Code: 3383]

Sole Global Coordinator, Bookrunner, Sponsor and Lead Manager : Morgan Stanley

Sector : Real Estate

Business : Property developer in Guangdong Province, the PRC

<p>Total share offer: <u>955,070,000</u> shares (28.75% of the enlarged share capital)</p> <p>Public Offer: 95,508,000 shares (10%)</p> <p>Placing: 859,562,000 shares (90%)</p> <p>Greenshoe: 143,260,000 shares (15%)</p> <hr/> <p>Price: HK\$3.00 – HK\$3.30 per share</p> <p>Market Cap.: HK\$9.97 billion – HK\$10.96 billion</p> <p>Pro Forma FY2005E P/E: 11.1x – 12.2x</p> <p>Adjusted NTA per share: HK\$0.92 – HK\$1.00</p> <p>Staffing: 3,324</p> <hr/> <p>Book opens: 25th November 2005 Book closes: 8th December 2005</p> <p>HK Public Offer period: 5th December 2005 – 8th December 2005</p> <p>Receiving bank: The Bank of East Asia, Bank of China (Hong Kong)</p> <p>Share registrar: Tricor Investors Services Limited</p> <p>Listing date: 15th December 2005</p>	<p><u>Business of Agile Property Holdings</u></p> <p>The Group is one of the leading property developers in Guangdong Province, the PRC. Its developments have been focusing in the cities of Guangzhou, Zhongshan and Foshan. Among its projects are <i>Agile Garden Guangzhou</i> and <i>Huadu Grand Garden</i> in Guangzhou, <i>La Cite Greenville</i> in Zhongshan, and <i>Nanhai Majestic Garden</i> in Foshan.</p> <p>The Group engages primarily in the development of large-scale property projects comprising multiple phases. It offers a broad range of products, including villas, condominiums, duplexes and apartments that are targeting the middle to upper-middle income groups. It also develops commercial properties complementary to its residential developments, and engages in property management and interior decoration.</p> <p>As of 30th September 2005, the Group had 18 projects at various stages of development with an aggregate gross floor area (GFA) of 8.1 million square metres (sqm). In addition, it had a total site area of 1.5 million sqm that has not yet obtained land use rights.</p>
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Major Shareholders after Listing (Assuming the over-allotment option is not exercised)

Top Coast (BVI), the trustee of the Chen Family Trust * 71.25%

Remark (): The beneficiaries are Chen Zhou Lin, Chairman (25%), Chan Cheuk Yin, Vice-Chairman & Co-President (19%), Luk Sin Fong, Vice-Chairlady & Co-President (17%), Chan Cheuk Hung, Executive Director & Senior Vice-President (13%), Chan Cheuk Hei, Executive Director & Senior Vice-President (13%) and Chan Cheuk Nam, Executive Director & Senior Vice-President (13%).*



Use of Proceeds

Net proceeds from the offer are estimated to be HK\$2,355 million.

(Assuming the over-allotment option is not exercised, and at an issue price of HK\$3.00 each, being the low-end of the indicative price range)

	HK\$ million
The development of <i>La Cite Greenville</i> , which is expected to complete in late 2006	774
The development of <i>Agile Garden Guangzhou</i> , which is expected to complete in mid to late 2006	451
The development of <i>Nanhai Majestic Garden</i> , which is expected to complete in mid to late 2006	428
The development of <i>Metro Agile Zhongshan</i> , which is expected to complete in late 2006	310
The development of <i>Jiangbei Estate</i> , which is expected to complete in late 2006, and general corporate business purposes	Remaining

Financial Highlights

	Year ended 31 st December			6 months ended
	2002	2003	2004	30 th June 2005
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	763,095	1,931,503	2,548,939	2,378,074
Gross profit	220,149	401,849	647,531	760,533
Operating profit	13,379	139,874	366,755	609,142
Net profit	(9,735)	71,950	227,609	401,653

Strengths/Opportunities

- ✓ The Group has established a reputation as a quality provider of residential properties and post-sales management services, enabling it to gain a strong foothold in Guangdong Province. Among its projects, *Agile Garden Guangzhou* was ranked 2nd in terms of sales in the Panyu district of Guangzhou in 2004, and *Huadu Grand Garden* was ranked 1st in terms of sales in the Nanhai district of Foshan in both 2003 and 2004.
- ✓ The Group's net profit more than tripled to RMB227.6 million in FY2004 as its net profit margin improved to 8.9% from 3.7% in FY2003. Its low-cost land reserves, the majority of which was acquired before 2002, should further strengthen its net profit margin in FY2005.
- ✓ With a sizable land bank of 8.1 million sqm in GFA, the Group is able to maintain its growth in the coming 5 years. This does not include a total site area of 1.5 million sqm that has not yet obtained land use rights approval.
- ✓ Priced at 11.1x to 12.2x FY2005E P/E and 28% to 35% discount to its book value, valuation of the counter is in-line with the average of 12x P/E and 28% discount to their book values for the mainland property plays including Beijing Capital Land (*stock code: 2868*) and China Resources Land (*stock code: 1109*).

Weaknesses/Threats

- × Over the past few years, property developers have invested heavily in the PRC, intensifying concerns that certain parts of the market have started overheating. Last year, the PRC government started introducing policies in major cities such as Beijing and Shanghai to cool down sales, such as imposing an extra tax to prevent speculators from making quick profits by selling properties within a short period of time.
- × The Group's net debt-to-equity ratio stood at 171% in FY2004 and 105% in 1H2005.

Recommendation: Trading Buy