



July 14, 2015
Company Report
Rating: BUY
TP: HK\$ 4.60

Share price (HK\$) 3.35
Est. share price return 37.3%
Est. dividend yield 3.9%
Est. total return 41.2%

Previous Rating & TP HK\$3.40, BUY
Previous Report Date May 19, 2015

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Key Data

52Wk H/L(HK\$) 3.70/2.20
Issued shares (mn) 5,000
Market cap (HK\$ mn) 16,700
3-mth avg daily turnover (HK\$ mn) 24.07
Major shareholder(s) (%):
Mr Ji Haipeng 85.26

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

Property development 97.7
Construction 1.8
Property investment 0.4

Source(s): Company, ABCI Securities

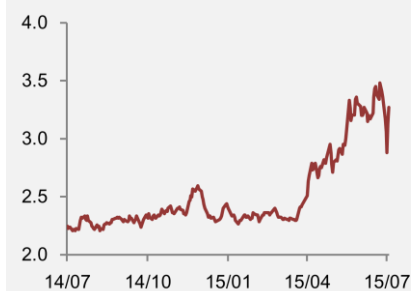
Share performance (%)

	Absolute	Relative*
1-mth	2.1	10.5
3-mth	22.3	33.6
6-mth	43.1	36.3

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Logan (3380 HK)
Thrive on Shenzhen's reviving market

- Presales in May (+81%YoY to RMB2.0bn) and June (+135%YoY to RMB 2.15bn) were much stronger than expected
- Logan's two major projects- Logan City and Jiulongxi, are likely to benefit from tight land supply in Shenzhen
- Maintain **BUY** with a revised NAV estimate of RMB 36.7bn (HK\$45.9bn). Our new TP of HK\$ 4.60 is based on a 50% discount to FY15E NAV of HK\$ 9.19/share

Impressive presales in May-June prompt us to revise up earnings estimates. Logan's share price has risen by 12.1% since our initiation in May 2015 and reached our previous TP (HK\$ 3.40) in less than two months. Logan's presales accelerated in May (+81% YoY to RMB2.0bn) and rose further in June (+135% YoY to RMB2.15bn). In 1H15, the Group's presale was RMB8.4bn, up 52% YoY, or 58% of its full-year presales target of RMB14.5bn, exceeding our expectation of a 40% target achievement ratio for 1H15. Hence, we raise our 2015E presales forecast by 25.7% to RMB 19.2bn, implying a 44% YoY growth for the full year. Although we notice that such strong performance may be driven by lower ASP (1H15's: RMB6,755/sqm vs. FY14's RMB7,347), we think the robust property market in Shenzhen and recent rate and RRR cuts will enhance Logan's pricing power in 2H15.

A robust property market in Shenzhen. Based on NBS data, Shenzhen's new home and secondary home prices, which increased by 9.9% and 10.4% in 5M15, outperformed other tier-1 cities by 7.7ppt and 6.0ppt on average. Meanwhile, new land supply remains tight. Land supply in 2014 was 4.98mn sqm, equivalent to 48% of the 2010 level (10.43mn sqm). Logan's two major projects, Logan City and Jiulongxi, will benefit from this tight land supply in Shenzhen.

Multiple rate/RRR cuts should benefit Logan's mortgage buyers. We believe Logan is one of the major beneficiaries amid the interest rate reduction cycle. About 70% of Logan's customers pay by mortgage (vs. the national average of 50%) while 91% of the property sold are less than RMB 1mn/unit.

Maintain BUY with revised NAV estimate of RMB36.7bn (HK\$45.9bn). Raise TP to HK\$4.60 (from HK\$3.40). Based on better-than-expected presales and improved outlook for Shenzhen's property market, we lift our NAV forecast to RMB 36.7bn (from RMB 19.4bn). As Shenzhen's property market continues to improve, upside risks to our ASP assumption also grow. Our current FY15E blended ASP of RMB 9,448/sqm implies a 29%YoY growth; of which, 15% of the increase is attributable to the price hike and the other 14% can be accounted by product mix changes. Our TP of HK\$ 4.50 is based on a 50% discount (from 30% previously) to our NAV of HK\$ 9.19/share. Maintain **BUY**

Risk factors: 1) Litigation risks; 2) Rising land cost; 3) Oversupply in tier 2/3 cities. 4) Share placement risk.

Results and Valuation

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (RMB mn)	11,119	12,498	15,122	18,063	19,916
Chg (% YoY)	68.8	12.4	21.0	19.4	10.3
Underlying Net Income (RMB mn) ¹	2,045	1,760	2,401	3,064	3,725
Chg (% YoY)	75.3	(13.9)	36.4	27.6	21.6
Underlying EPS (RMB)	0.41	0.35	0.48	0.61	0.74
Chg (% YoY)	49.0	(13.9)	36.4	27.6	21.6
BVPS (RMB)	1.5	2.2	2.6	3.1	3.6
Chg (% YoY)	52.3	52.8	15.6	17.9	17.8
Underlying PE (x)	6.6	7.6	5.6	4.4	3.6
P/B (x)	1.8	1.2	1.0	0.9	0.7
ROE (%)	27.9	15.7	18.5	20.1	20.7
ROA (%)	7.4	3.9	4.5	4.3	4.0
DPS(HK\$)	0.11	0.11	0.13	0.15	0.20
Yield (%)	3.28	3.28	3.88	4.48	5.97
Net gearing ² (%)	60.9	65.7	49.3	Net cash	Net cash

¹Underlying net income =Net profit - revaluation gain of investment properties and one-off items

²Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities estimates

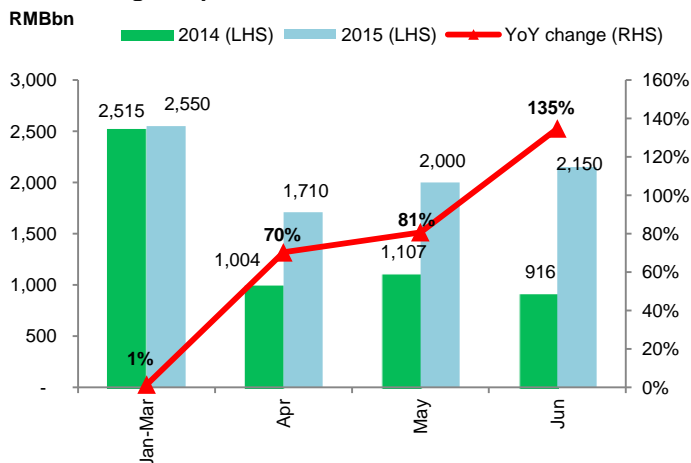


Robust presales in May (+81% YoY) and June (+135% YoY) exceed our expectation

Despite the recent equity market correction, Logan's share price rose 12.1% since our initiation on May 19, 2015, and reached our previous TP of HK\$3.40 in less than two months. Logan's presales accelerated in May (+81% YoY to RMB2.0bn) and strengthened further in June (+135% YoY to RMB2.15bn). In 1H15, Logan achieved a total presale of RMB 8.4bn, up 52% YoY, equivalent to 58% of its 2015 presales target of RMB 14.5bn, exceeding our expectation of a 40% target achievement ratio for 1H15. Hence, we raise our 2015E presales forecast by 25.7% to RMB 19.2bn, implying a 44% YoY growth.

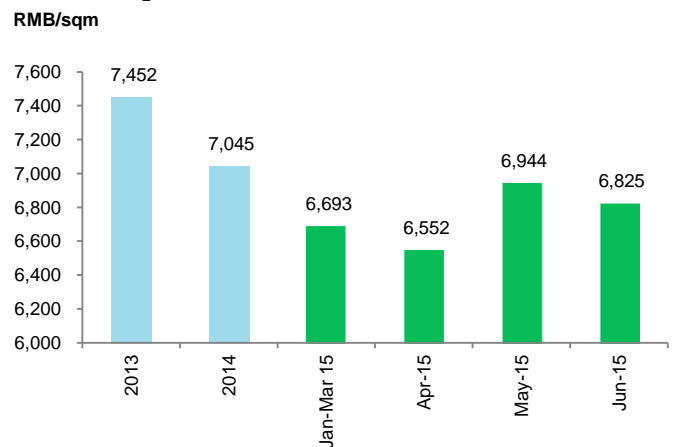
However, we notice that such strong performance could be driven by lower ASP (excluding car park), as presales ASP in 1H15 was RMB 6,755/sqm, 4% lower than that of FY14 (RMB 7,045/sqm) and 9% lower than that of FY13 (RMB 7,452/sqm). We believe Logan's pricing power will be higher in 2H15 because of 1) a robust property market in Shenzhen; 2) the recent rate and RRR cuts, which will be advantageous to the Group given the high proportion of mortgage buyers. We lift our 2015E-17E ASP assumptions by 23%-32%.

Exhibit 1: Logan's presales in 1H15



Source(s): Company, ABCI Securities

Exhibit 2: Logan's ASP



Source(s): Company, ABCI Securities

Exhibit 3: Changes in presales, GFA sold, ASP and core profit assumptions for 2015E-17E

	Previous			Current			Change (%)		
	2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E
Presales (RMBm)	15,243	18,596	21,382	19,163	32,083	38,500	25.7%	72.5%	80.1%
YoY chg (%)	14%	22%	15%	44%	67%	20%			
GFA presold (mn sqm)	1.99	2.17	2.19	2.03	2.91	2.99	2.0%	34.2%	36.6%
YoY chg (%)	9%	9%	1%	12%	43%	3%			
Presales ASP (RMB/sqm)	7,668	8,582	9,774	9,448	11,034	12,886	23.2%	28.6%	31.8%
YoY chg (%)	4%	12%	14%	29%	17%	17%			
Core net profit (RMBmn)	2,286	2,771	3,551	2,401	3,064	3,725	5.0%	10.6%	4.9%
YoY chg (%)	30%	21%	28%	36%	28%	22%			

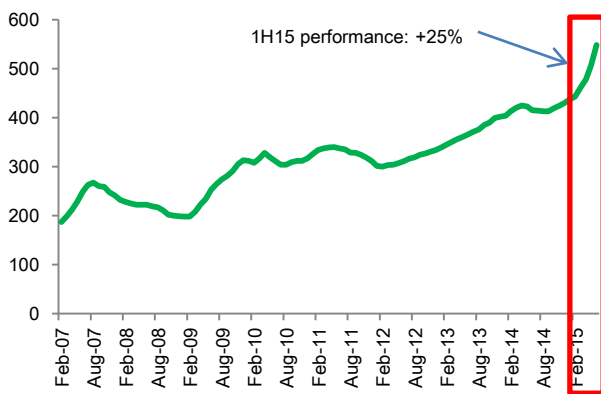
Source(s): Company, ABCI Securities estimates

Shenzhen market: Tight land supply cannot fulfill genuine demand

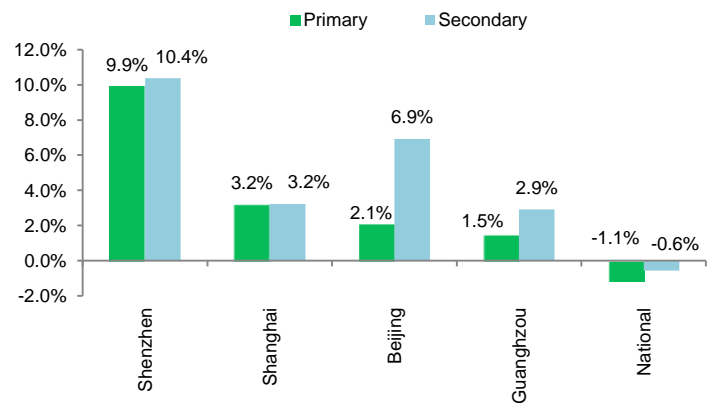
Shenzhen's property market has been heating up since early 2015. The Shenzhen Centa leading index—a property price index based on the transaction prices of major second-hand property projects, rose 25% year to date as at Jun 2015. Based on NBS data, Shenzhen's new home price and secondary home price also went up by 9.9% and 10.4% in 5M15 and outperformed other first-tier cities by 7.7ppt and 6.0ppt on average.

We expect property price in Shenzhen to continue rising until 2016 as land supply remains tight. New land supply has been diminishing since 2010 for four consecutive years. Land supply in 2014 was 4.98mn sqm, equivalent to only 48% of the 2010 level (10.43mn sqm). For 1H15, land sales remained low at 1.43mn sqm. The land supply has been lower than that of the population growth (1.6% CAGR in 2009-14) and economic growth (GDP per capita: 12.2% CAGR in 2009-14).

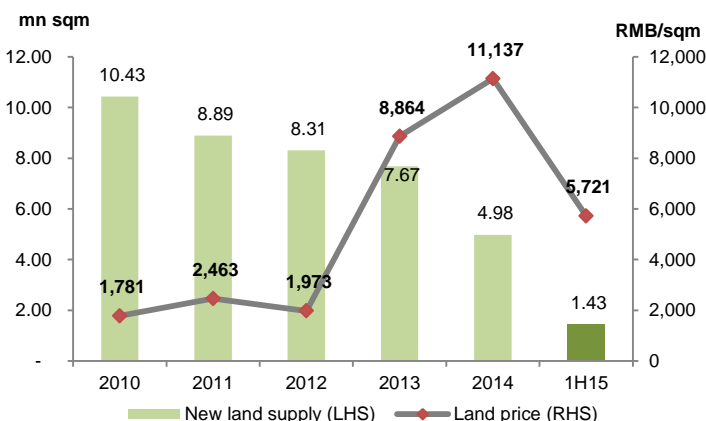
Logan's two key projects targeting at Shenzhen first-home buyers, the Logan City and Jiulongxi, are likely to see higher ASP in 2H15.

Exhibit 4: Shenzhen Centa leading index


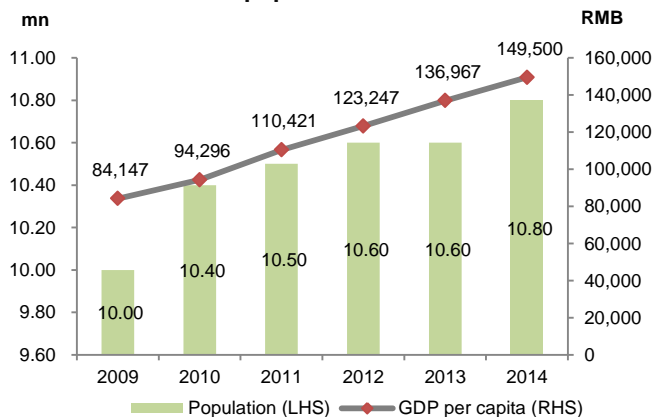
Source(s): Centaline

Exhibit 5: Shenzhen property price in 5M15 (May 15 vs Dec 14)


Source(s): NBS

Exhibit 6: Shenzhen's land sales


Source(s): CRIC

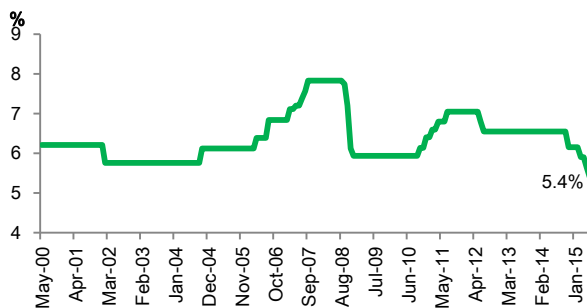
Exhibit 7: Shenzhen's population


Source(s): Shenzhen Statistics Bureau

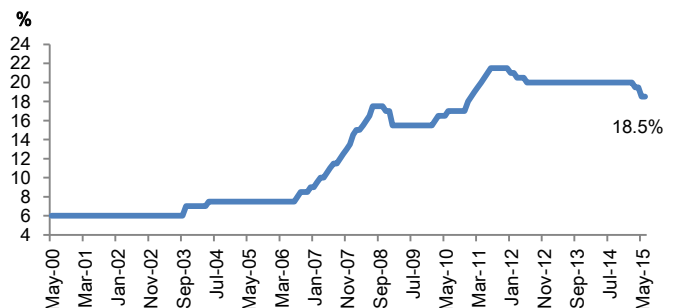
Multiple rate/RRR cuts should benefit Logan's mortgage buyers

Since end-2014, the central government has cut interest rate five times. The 5-year PBOC rate dropped by 1.15ppt from 6.55% in Oct 2014 to 5.40% in June 2015. Monthly mortgage payment for RMB 1mn with a 30-year term is trimmed by 11.6% from RMB 6,353/month to RMB 5,615/month, assuming that mortgage rate is similar to the benchmark rate. We believe this will effectively elevate the purchasing power of first-home buyers, who generally rely heavily on mortgage to finance home purchases. Besides, the simultaneous cut of 25bps in interest rate and 50 bps in RRR demonstrated the slowing Chinese economy has yet to turn around. Our macroeconomic team is of the view further policy support, including two more interest rate/RRR cuts, would be announced in 2H15.

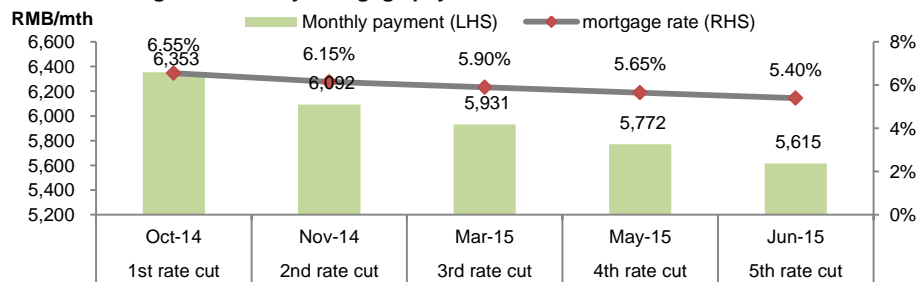
We believe Logan is one of the major beneficiaries amid the interest rate reduction cycle. About 70% of Logan's customers pay by mortgage (vs. the national average of 50%) while 91% of the property sold are less than RMB 1mn/unit. Increased property demand from first-home buyers unleashed by mortgage easing will drive up Logan's presales in 2H15, in our view.

Exhibit 8: PBOC rate (5 years or above)


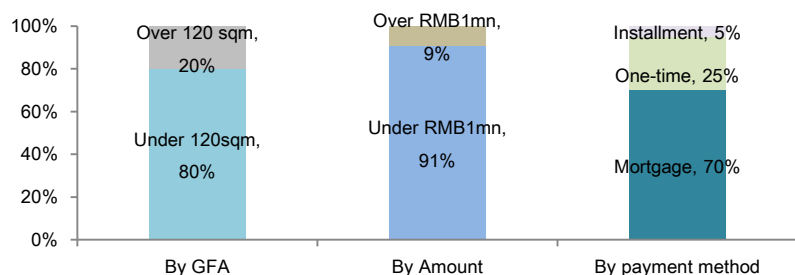
Source(s): NBS

Exhibit 9: Required reserved ratio (RRR)


Source(s): NBS

Exhibit 10: Changes in monthly mortgage payment after rate cuts


* key assumptions: 1) mortgage rate: 1.0x 5 yr PBOC rate; 2) loan size: RMB1mn; 3) Duration: 30 year
 Source(s): NBS, ABCI Securities

Exhibit 11: Presales mix by GFA, amount, and payment method (2014)


Source(s): Company, ABCI Securities



Maintain BUY with NAV estimate of RMB 36.7bn (or HK\$45.9bn)

Due to better-than-expected presales and improved outlook of Shenzhen's property market, we lift our NAV by 89% to RMB 36.7bn (from RMB 19.4bn). However, as Shenzhen's property market continues to thrive, upside risks to our ASP assumption will continue to rise. Our current FY15E blended ASP of RMB 9,448/sqm implies a 29%YoY growth, of which 15% of the increase can be attributed the price hike while the other 14% can be accounted by changes in product mix. We consider our estimates as conservative, given Shenzhen's new home price, which jumped 9.9% YTD in 5M15, continues to climb. Our sensitivity analysis reveals that for every 5% increase in ASP, NAV will go up by 7.3%

Due to the recent market correction, average NAV discount of China's property sector has increased to 50% from 30% since June. As a result, we also revise up our target NAV discount for Logan. Together with the earnings adjustment, our TP arrives at HK\$4.60 (from HK\$3.40), based on a 50% discount to NAV (from 30%). Maintain **BUY** on Logan.

Exhibit 12: Logan's 2015E NAV

	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development					
Shantou	1.4	5,392	14%	DCF with WACC of 7.2%	3,775
Dongguan	0.2	435	1%		2,148
Zhongshan	0.5	771	2%		1,628
Foshan	1.0	3,169	8%		3,180
Shenzhen	0.3	5,665	15%		21,145
Huizhou	4.1	9,777	25%		2,369
Nanning	0.9	1,474	4%		1,590
Others	4.6	11,937	31%		2,607
Subtotal	13.0	38,621	87%		2,971
Investment Properties		5,621	13%		1.2x Book value
Total 2015E GAV		44,243	100%		
2015E Net debt		(7,495)	-17%		
Total 2015E NAV		36,748	83%		
No. of share outstanding (diluted)		5,000			
NAV per share (RMB)		7.35			
Ex rate		1.25			
NAV per share (HKD)		9.19			
Target discount (%)		50%			
Target Price (HKD)		4.60			
WACC	7.2%				
Cost of debt	6.5%				
Cost of Equity	10.0%				
Debt/ (Debt + Equity)	55%				

Source(s): Company, ABCI Securities estimates



Exhibit 13: NAV sensitivity to ASP

	-10%	-5%	Base +0%	+5%	+10%
2015E ASP assumption (RMB/sqm)	8,626	9,037	9,448	9,858	10,269
GAV (RMB bn)	40.25	42.25	44.24	46.22	48.18
Variance (%)	-9.0%	-4.5%	0.0%	4.5%	8.9%
NAV (RMB bn)	31.31	34.04	36.75	39.45	42.13
Variance (%)	-14.8%	-7.4%	0.0%	7.3%	14.6%
NAV/share (HK\$)	7.83	8.51	9.19	9.86	10.53
Variance (%)	-14.8%	-7.4%	0.0%	7.3%	14.6%

Source(s): Company, ABCI Securities estimates

Exhibit 14: Valuation of Hong Kong-listed and PRC-listed developers

China Property	Ticker	Rating	TP	Mkt cap	Share Price	Performance			Discount to NAV (%)	Valuation									
						3M	YTD	2014		P/E		Yield (%)			P/B				
				(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)	2014A	2015E	2016E	2014A	2015E	2016E	2014A	2015E	2016E	
Residential:																			
1	Wanda	3699 HK	BUY	88.00	268.5	60.05	6	23	na	(59.04)	12.1	9.0	6.7	2.0	3.4	4.5	1.2	1.3	1.1
2	Vanke-H	2202 HK	NR		204.3	19.16	(0)	14	30	(0.33)	15.9	9.1	7.8	3.3	3.8	4.4	1.9	1.7	1.5
3	CR Land	1109 HK	NR		155.9	22.30	(5)	11	10	(20.50)	13.2	10.4	9.0	2.2	2.5	2.9	1.4	1.2	1.1
4	Evergrande	3333 HK	HOLD	6.90	71.7	4.56	0	62	24	(47.01)	23.0	8.2	6.2	11.8	6.1	8.1	0.5	0.5	0.5
5	Country Garden	2007 HK	NR		71.8	3.17	(16)	7	(28)	(53.24)	6.2	5.3	4.7	5.8	6.2	6.8	0.9	0.8	0.7
6	Longfor	960 HK	NR		67.0	11.28	(0)	16	(5)	(41.34)	8.1	6.9	6.2	3.1	3.1	3.5	1.1	1.0	0.9
7	Shimao	813 HK	NR		50.6	14.46	(19)	(14)	4	(56.00)	5.1	4.7	4.2	6.2	6.5	7.2	0.9	0.8	0.7
8	Sino Ocean	3377 HK	NR		40.1	5.36	(7)	25	(8)	(40.55)	9.0	8.1	7.1	4.4	4.9	5.5	0.7	0.7	0.7
9	Sunac	1918 HK	BUY	12.00	24.8	7.40	(13)	(4)	81	(69.40)	5.3	5.6	5.3	3.2	3.2	3.4	1.2	1.0	0.9
10	Guangzhou R&F	2777 HK	NR		28.7	8.80	(5)	(7)	(11)	(71.57)	6.5	4.2	3.8	0.0	4.0	5.9	0.6	0.6	0.5
11	Agile	3383 HK	NR		19.4	4.94	(14)	17	(43)	(71.90)	3.9	4.1	4.0	8.0	7.2	7.5	0.5	0.4	0.4
12	KWG	1813 HK	NR		17.5	5.99	(15)	19	33	(61.05)	5.1	4.5	3.8	6.9	7.5	8.5	0.7	0.6	0.6
13	Greentown	3900 HK	HOLD	9.70	18.7	8.59	1	12	(30)	(29.50)	8.1	4.7	4.8	0.0	5.8	6.5	0.6	0.6	0.5
14	COGO	81 HK	NR		8.0	3.55	(23)	(10)	(46)	(72.63)	6.5	4.2	3.4	1.4	2.1	2.4	0.7	0.6	0.5
HK Listed Avg							(7)	14	0	(44.83)	8.9	6.3	5.4	4.2	4.7	5.6	0.9	0.8	0.7
- Large cap (>HKD50b) avg							(5)	17	6	(36.19)	11.7	7.8	6.4	4.6	4.2	5.0	1.2	1.1	1.0
- Small-mid cap (<HKD50b) avg							(9)	11	(5)	(53.47)	6.1	4.9	4.4	3.8	5.2	6.1	0.7	0.6	0.5
Tier 1 players																			
- Shenzhen																			
	Logan	3380 HK	BUY	4.60	16.7	3.35	18	44	7	(63.54)	7.6	5.6	4.4	3.3	3.9	4.5	1.2	1.0	0.9
	Shenzhen Investment	604 HK	NR		25.0	3.39	(9)	57	(19)	(53.56)	12.7	7.6	6.8	4.7	5.1	5.6	0.7	0.7	0.6
- Shanghai																			
	CIFI	884 HK	BUY	3.20	11.9	1.77	(9)	21	(2)	(58.98)	4.4	4.2	4.0	6.2	6.8	7.3	0.8	0.7	0.7
- Beijing																			
	BJ Capital Land	2868 HK	NR		9.5	4.69	(11)	70	22	(14.73)	6.0	4.1	3.0	6.7	6.9	8.0	0.8	na	na
- Guangzhou																			
	Yuexiu Properties	123 HK	NR		19.3	1.56	(11)	6	(13)	(64.94)	9.8	8.7	7.5	4.8	5.5	6.2	0.5	0.5	0.5
Average							(4)	40	(1)	(51.15)	8.1	6.1	5.1	5.1	5.6	6.3	0.8	0.7	0.7

* Share price as at July 13, 2015

Source(s): Bloomberg, ABCI Securities estimates



Risk factors

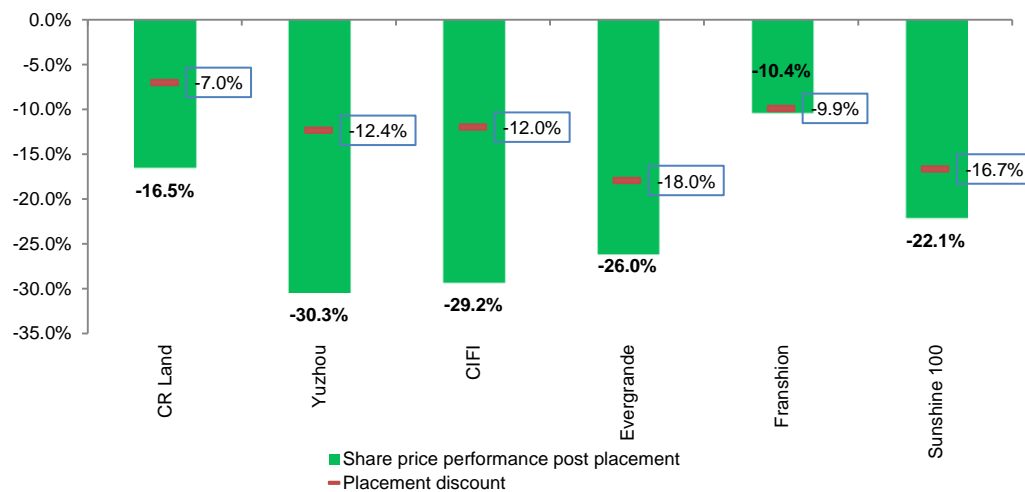
- **Litigation risks.** Anti-corruption effort in the property sector, especially in Shenzhen and Guangdong, has been escalating over the past 12 months. The Group may encounter difficulties in obtaining presales permit if it fails to comply with relevant rules and regulations. Nonetheless, most Logan's projects are obtained via open land tendering and therefore, litigation risk is limited
- **Rising land cost may hurt margin.** As all of Logan's projects are obtained through open tendering, the Group may suffer from rising land cost if land market heats up further.
- **Oversupply in tier 2/3 cities.** Apart from the Shenzhen project recently acquired, most of Logan's landbank is located in tier 2/3 cities which are reflected from its falling ASP in 1H15 against FY14.
- **Placement risk.** As Logan share price have rallied by 40% YTD, we are not ruling out the possibility of equity share placement. Six major PRC developers have conducted share placement since May 2015 at a discount of 7%-18%. Post-placement share price declined by 10%-30% on downturn in equity market as well as dilution impact of new shares.

Exhibit 15: Equity placement of major PRC developers since May 2015

Date	Developer	BBG	Placement price	Discount to last close	No. of shares	as % of enlarged capital	Amount
			HK\$	%	million	%	HK\$ mn
12-May-15	CR Land	1109 HK	25.25	7.0%	400	5.8%	10,100
12-May-15	Yuzhou	1628 HK	2.20	12.4%	360	9.4%	792
19-May-15	CIFI	884 HK	2.20	12.0%	600	9.0%	1,320
29-May-15	Evergrande	3333 HK	5.67	18.0%	820	5.3%	4,649
9-Jun-15	Franshion	817 HK	2.73	9.9%	1,600	15.0%	4,368
12-Jun-15	Sunshine 100	2608 HK	3.40	16.7%	375	15.8%	1,275

Source(s): HKEx, ABCI Securities

Exhibit 16: Share price performance after share placement (till July 13, 2015)



Source(s): Bloomberg, ABCI Securities



Consolidated income statement (2013A-2017E)

FY Ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Revenue	11,119	12,498	15,122	18,063	19,916
Cost of sales	(7,004)	(8,694)	(9,475)	(10,395)	(10,735)
Gross Profit	4,116	3,804	5,646	7,668	9,181
SG&A expenses	(729)	(940)	(1,237)	(1,801)	(2,215)
EBIT	3,387	2,864	4,410	5,867	6,965
Finance cost	(103)	(94)	(103)	(100)	(107)
Share of profit of associates	0	0	0	0	0
Other income/ (expenses)	28	85	68	151	348
Fair value gain of investment properties	0	0	0	0	0
Disposal/one-off items	(3)	862	0	0	0
Profit before tax	3,309	3,718	4,375	5,918	7,207
Tax	(1,252)	(1,297)	(1,788)	(2,478)	(3,049)
Profit after tax	2,056	2,421	2,586	3,440	4,159
Minority interest	(32)	(73)	(185)	(376)	(434)
Reported net profit	2,024	2,348	2,401	3,064	3,725
Less: exceptional items	21	(588)	(0)	0	0
Underlying net profit	2,045	1,760	2,401	3,064	3,725
Per share					
Underlying EPS (RMB)	0.41	0.35	0.48	0.61	0.74
DPS (RMB)	0.11	0.11	0.13	0.15	0.20
Payout ratio (%)	27%	31%	27%	24%	27%
BVPS (RMB)	1.47	2.24	2.59	3.06	3.60
Growth %					
Revenue	68.8%	12.4%	21.0%	19.4%	10.3%
Gross Profit	60.8%	-7.6%	48.4%	35.8%	19.7%
EBIT	63.3%	-15.4%	54.0%	33.0%	18.7%
Underlying net profit	75.3%	-13.9%	36.4%	27.6%	21.6%
Margin %					
Gross margin	37.0%	30.4%	37.3%	42.5%	46.1%
Gross margin (post-LAT)	34.2%	27.5%	31.9%	35.7%	38.4%
EBIT margin	30.5%	22.9%	29.2%	32.5%	35.0%
Core net margin	18.5%	14.2%	17.1%	19.0%	20.9%
Key assumptions					
Contracted Sales (RMBm)	13,208	13,350	19,163	32,083	38,500
GFA sold (m sqm)	1.64	1.82	2.03	2.91	2.99
ASP (RMB/sqm)	8,043	7,347	9,448	11,034	12,886
Booked Sales (RMB)	10,385	12,215	14,818	17,736	19,565
GFA delivered (m sqm)	1.24	1.74	1.78	1.79	1.74
Booked ASP (RMB/sqm)	8,376	7,022	8,307	9,883	11,265

Source: Company, ABCI Securities estimates



Consolidated balance sheet (2013A-2017E)

As of Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Current assets	23,624	39,226	47,314	65,201	88,143
Cash	3,827	5,576	4,833	22,959	46,287
Restricted cash	678	1,938	1,938	1,938	1,938
Trade & other receivables	1,316	2,502	2,502	2,502	2,502
Property under development	17,686	27,875	36,707	36,467	36,082
Other current assets	117	1,334	1,334	1,334	1,334
Non-current assets	4,187	5,610	5,710	5,811	5,911
Property, plant & equipment	97	122	123	123	124
Investment properties	3,793	4,685	4,785	4,885	4,985
Investment in Associate and JCE	0	0	0	0	0
Other non-current assets	297	803	803	803	803
Total Assets	27,812	44,836	53,024	71,012	94,055
Current Liabilities	13,635	17,827	24,130	39,477	59,411
Short term borrowings	2,754	3,824	1,824	2,824	3,824
Trade & other payables	3,382	3,195	3,195	3,195	3,195
Pre-sales deposits	6,347	8,648	16,950	31,298	50,232
Other current assets	1,152	2,160	2,160	2,160	2,160
Non-current liabilities	6,827	13,691	13,691	13,691	13,691
Long term borrowings	6,228	12,441	12,441	12,441	12,441
Other payables	0	0	0	0	0
Other non-current assets	599	1,251	1,251	1,251	1,251
Total Liabilities	20,462	31,519	37,821	53,168	73,103
Net Assets	7,350	13,317	15,203	17,844	20,952
Shareholders Equity	7,336	11,210	12,961	15,275	18,000
Minority Interest	14	2,107	2,242	2,569	2,952
Total Equity	7,350	13,317	15,203	17,844	20,952
Key ratio					
Gross debt (RMBm)	8,983	16,265	14,265	15,265	16,265
Net debt (RMBm)	4,477	8,751	7,495	(9,632)	(31,960)
Net gearing (%)	61%	66%	49%	-54%	-153%
Contracted sales/ Total assets (x)	0.47	0.30	0.36	0.45	0.41

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2013A-2017E)

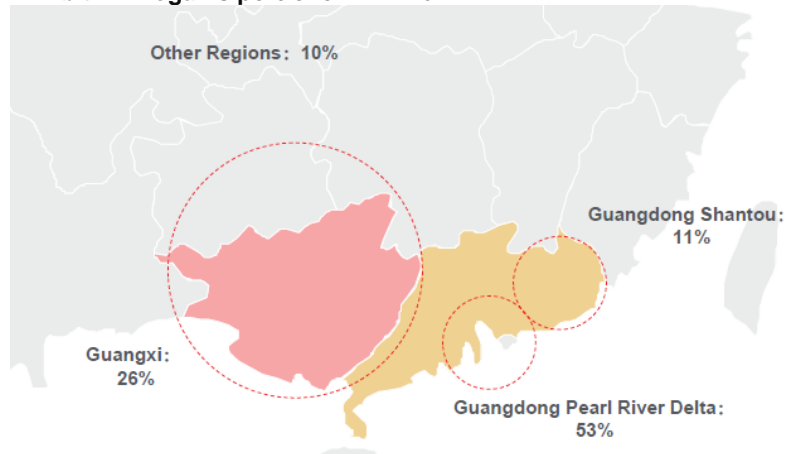
FY ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
EBITDA	3,403	2,884	4,429	5,887	6,985
Change in Working Capital	(3,053)	(9,806)	589	15,669	20,474
Tax payment	(1,252)	(1,297)	(1,788)	(2,478)	(3,049)
Operating Cashflow	(902)	(8,220)	3,230	19,077	24,411
Purchase of PP&E	(20)	(20)	(20)	(20)	(20)
Addition of Investment Properties	(100)	(100)	(100)	(100)	(100)
Others	28	85	68	151	348
Investing Cashflow	(92)	(35)	(52)	31	228
Debt raised	3,615	11,613	2,000	5,000	5,000
Debt repaid	(841)	0	(4,000)	(4,000)	(4,000)
Interest expenses	(1,107)	(1,010)	(1,221)	(1,181)	(1,261)
Equity raised	(92)	(35)	(52)	31	228
Dividend to shareholders	(550)	(550)	(650)	(750)	(1,000)
Others	1,260	(15)	2	(81)	(278)
Financing Cashflow	2,285	10,003	(3,921)	(981)	(1,311)
Net cash inflow/ (outflow)	1,291	1,749	(744)	18,127	23,328
Cash- beginning	2,537	3,827	5,576	4,833	22,959
Cash- year-end	3,827	5,576	4,833	22,959	46,287

Source(s): Company, ABCI Securities estimates

Appendix I- Company overview

Logan Property (Logan) is a leading integrated property developer focusing on Guangdong and Guangxi Provinces in China. As at Dec 31, 2014, Logan has project in 13 different cities with an aggregate GFA of ~13.68 mn sqm. Over 53% of the landbank is located in Guangdong PRD area, 11% in Guangdong Shantou, 26% in Guangxi, and 10% in other regions such as Chengdu. Over 95% of presales in FY14 (RMB 13.35bn) were generated from Guangdong and Guangxi (Guangdong PRD: 49%; Guangdong Shantou: 17%; Guangxi: 29%; Others: 5%). Logan also was ranked No.1 in Shantou, Nanning and Fangchenggang and No.3 in Huizhou by presales amount for 2014.

Exhibit 17: Logan's portfolio in China



Source(s): Company

Exhibit 18: Longan City, Huizhou



Source(s): Company

Exhibit 19: Grand View, Foshan



Source(s): Company

Exhibit 20: Provence, Nanning



Source(s): Company

Exhibit 21: Longan Century Centre, Shenzhen



Source(s): Company

Appendix II- Logan's key projects

- Logan City:** The Logan City is the Group's flagship project given its size of 3.7 mn sqm, which accounts for 27% of the Group's total landbank. Located in Huizhou, the Logan City project is located on the eastern border of Shenzhen and attracts a substantial number of first-home buyers with limited budgets. Transportation network around the area has been improving with the completion of Xiamen-Shenzhen High Speed Rail (operation started in 2013) and operation of new bus routes connecting Futian and Lohu area in Shenzhen. With a land cost of just RMB 278/sqm, the Logan City is priced at RMB 6,000/sqm.

Exhibit 22: Location of Logan City


Source(s): Company

Exhibit 23: Xiamen-Shenzhen high speed rail


Source(s): Company

- Jiulongxi project (玖龙玺):** In 2014, Logan acquired the 186.5k sqm land site located at the Baishilong Metro station in Shenzhen for RMB 4,680mn, or RMB 25,094/sqm. Presale for the the Jiulongxi project, which is 51%-owned by Logan, is expected to start in Oct 2015. Secondary housing in the surrounding area is priced at RMB 40-55k/sqm, therefore, margin outlook is positive for the project.

Exhibit 24: Jiulongxi project

Location	Located at the Baishilong Metro Station in Shenzhen Longhua Area, 1.5km (2 minutes' drive) from Shenzhen North Railway Station, and 6.7 km (15 minutes' drive) from Shenzhen CBD Futian
Type	Residential project (including high-rise residential and retail commercial)
Stake	51%
Land premium	RMB 4,680mn
GFA	186,500 sqm
Land cost	RMB 25,094/sqm

Exhibit 25: Location of Logan City and nearby projects

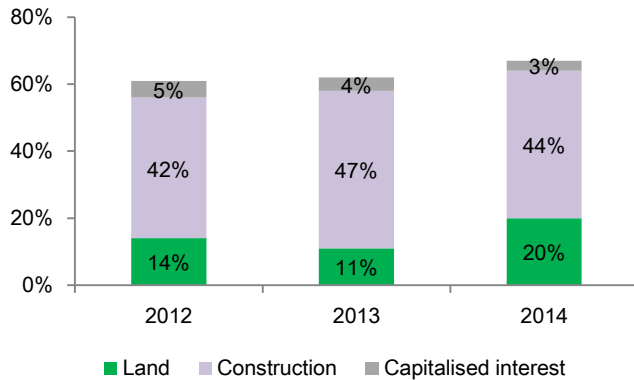

Source(s): Company

*Data as at Dec 2014

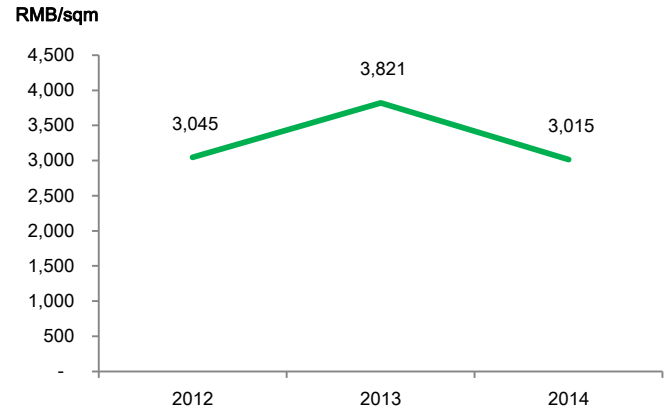
Source(s): Company, ABCI Securities

Appendix III- Integrated construction development model

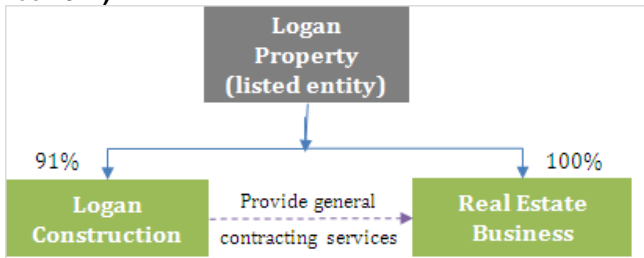
Logan Construction, which is 91%-owned by the Group, is responsible for the construction work of Logan's projects. Over 2012-14, construction cost to ASP has been stable in the range of 42%-47%; Logan managed to reduce construction cost per sqm by 21% YoY from RMB 3,821 in 2013 to RMB 3,015 despite rising labor costs across China.

Exhibit 26: Cost of sales to ASP (%)


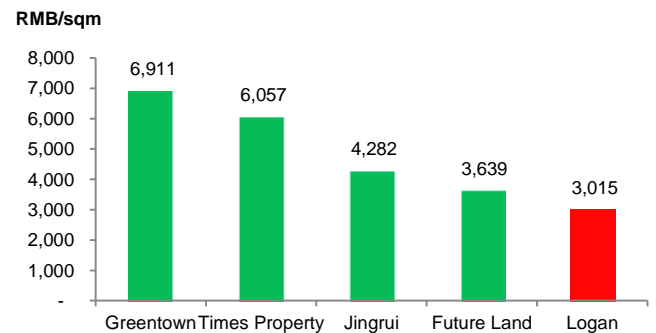
Source(s): Company, ABCI Securities

Exhibit 27: Construction cost per sqm


Source(s): Company, ABCI Securities

Exhibit 28: An integrated construction development model (Dec 2014)


Source(s): Company, ABCI Securities

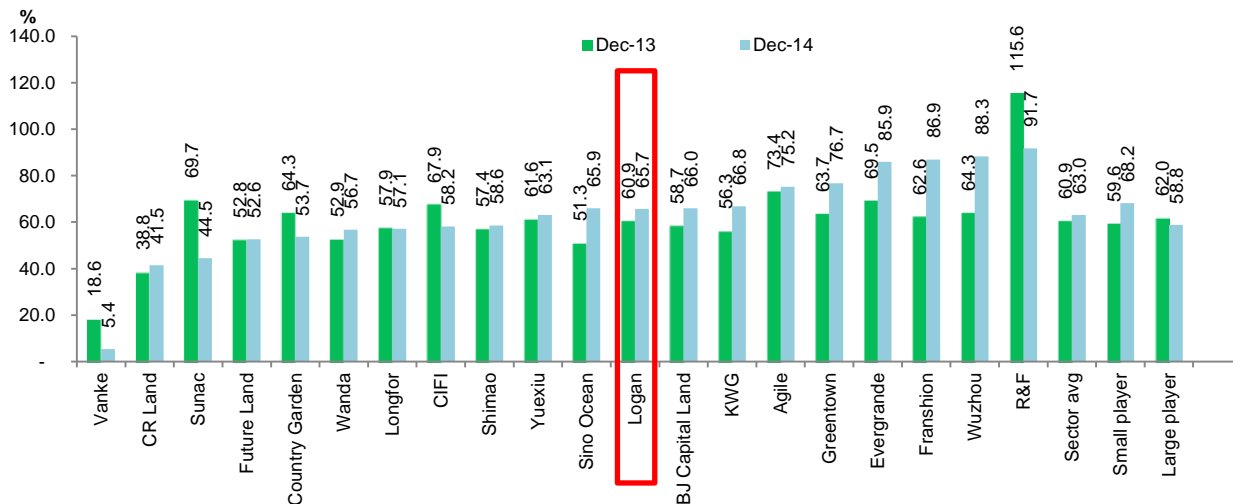
Exhibit 29: Construction cost per sqm among developers in 2014


Source(s): Company, ABCI Securities

Appendix IV- Debt structure

Logan's net gearing rose 4.8ppt YoY to 65.7% as at Dec 2014, slightly higher than the sector average (61.5%) but lower than its small/mid-cap peers (68.2%). Nonetheless, improvements have been observed in terms of debt structure. High-cost trust loan declined from 16.5% of total debt in 2013 to just 8.4% in 2014; offshore senior notes increased from 0% to 20.8% in 2014, which should extend the average duration of its outstanding debt.

Exhibit 30: Net gearing levels among developers (%)



Source(s): Company, ABCI Securities

Exhibit 31: Debt structure

Type of debt	Dec-13		Dec-14	
	RMB mn	%	RMB mn	%
Onshore bank loan	7,073	78.8%	10,822	66.5%
Trust loan	1,483	16.5%	1,368	8.4%
Offshore senior notes	-	0.0%	3,384	20.8%
Offshore bank loan	424	4.7%	692	4.3%
Total	8,981	100.0%	16,265	100.0%

Source(s): Company, ABCI Securities

In 2014, Logan's ratings by Moody's and Fitch were Ba3 and BB. During the year, Logan issued two tranches of senior notes totaling US\$ 550mn, with a maturity term of 3-5 years and a coupon rate of 9.75-11.25%. Logan also issued its first offshore syndicated loan of US\$ 105mn at LIBOR+4.5%, much lower than the current average borrowing cost of (8.8%). Average borrowing cost remained stable at 8.8% in 2014 (vs. 8.4% in 2013) despite issuance of high-yield bonds to lengthen maturity profile.



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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return $- 6\% \leq$ Stock return $<$ Market return rate
Sell	Stock return $<$ Market return $- 6\%$

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2010-2014

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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