



May 19, 2015
Company Report
Rating: BUY
TP: HK\$ 3.40

Share price (HK\$) 2.96
Est. share price return 14.9%
Est. dividend yield 4.4%
Est. total return 19.3%

Previous Rating & TP NA
Previous Report Date NA

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Key Data

52Wk H/L(HK\$)	3.09/2.18
Issued shares (mn)	5,000
Market cap (HK\$ mn)	14,800
3-mth avg daily turnover (HK\$ mn)	10.34
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

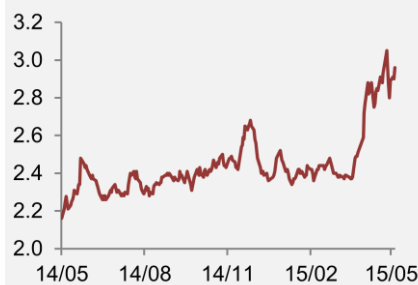
Share performance (%)

	Absolute	Relative*
1-mth	4.6	5.9
3-mth	23.9	12.4
6-mth	18.5	4.5

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Logan (3380 HK)
A well-rounded player in Guangdong

- A Guangdong-focused developer with 64% of landbank and 66% of presales accounted by the region
- Fast-growing presales (44% CAGR in 2011-14) with a respectable net margin (14.2% vs. sector average of 11.6%); integrated construction model helps to lower construction cost
- Logan's USD bond and syndicated loans are well received by offshore credit market
- Initiate **BUY** with TP at HK\$ 3.40 based on a 30% discount to FY15E NAV

A Guangdong-focused player. Logan Property (Logan) is a leading integrated property developer focusing on Guangdong and Guangxi Provinces in China. As at Dec 31, 2014, Logan has projects located in 13 different cities with an aggregate GFA of ~13.68 mn sqm.

Rapid growth in presales and profitability. Presales grew from just RMB 3bn in 2010 to RMB 13bn in 2014, implying a CAGR of 44%. We attribute Logan's success to its focus on first-home buyers within the affluent Guangdong market. Logan's net margin of 14.2% is noticeably higher than sector average of 11.6%.

Low-cost land at strategic locations. Logan's low land cost at RMB 1,368/sqm as of Dec 2014 will secure healthy gross margin in future. Besides, we are optimistic on Logan's key projects, such as Logan City and Jiulongxi, due to the recovering property demand in Shenzhen.

Integrated construction development model enables high margin. Logan Construction, which is 91%-owned by the Group, is responsible for the construction work of Logan's projects. Logan managed to reduce construction cost by 21% YoY from RMB 3,821/sqm in 2013 to RMB 3,015/sqm in 2014 despite rising labor costs across China.

Well recognized by offshore credit market. In 2014, Logan successfully issued two tranches of senior notes totaling US\$ 550mn, with a maturity 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%.

Initiate Logan with BUY. We derive Logan's end-FY15E NAV (RMB 19.4bn or HK\$ 4.85/share) based on the DCF method with an 8.7% WACC. Our TP of HK\$ 3.40 is based on the sector's average NAV discount of 30%. Logan's P/E at 5.2x is lower than small-mid cap peer average of 6.2x; however, we expect Logan's EPS to grow at 25% CAGR in 2014-16E, as compared to the 20% CAGR among peers.

Risk factors: 1) Litigation risks; 2) Rising land cost; 3) Oversupply in tier 2/3 cities. 4) Low daily turnover.

Results and Valuation

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (RMB mn)	11,119	12,498	14,461	17,029	19,961
Chg (% YoY)	68.8	12.4	15.7	17.8	17.2
Underlying Net Income (RMB mn) ¹	2,045	1,760	2,286	2,771	3,551
Chg (% YoY)	75.3	(13.9)	29.9	21.2	28.2
Underlying EPS (RMB)	0.41	0.35	0.46	0.55	0.71
Chg (% YoY)	49.0	(13.9)	29.9	21.2	28.2
BVPS (RMB)	1.5	2.2	2.6	3.0	3.5
Chg (% YoY)	52.3	52.8	14.6	15.7	17.2
Underlying PE (x)	5.8	6.7	5.2	4.3	3.3
P/B (x)	1.6	1.1	0.9	0.8	0.7
ROE (%)	27.9	15.7	17.8	18.6	20.4
ROA (%)	7.4	3.9	4.5	5.0	5.8
DPS(HK\$)	0.11	0.11	0.13	0.15	0.20
Yield (%)	3.72	3.72	4.39	5.07	6.76
Net gearing ² (%)	60.9	65.7	83.8	48.0	10.8

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

²Net gearing = Net debt / Shareholders' equity

Source(s): Bloomberg, ABCI Securities estimates



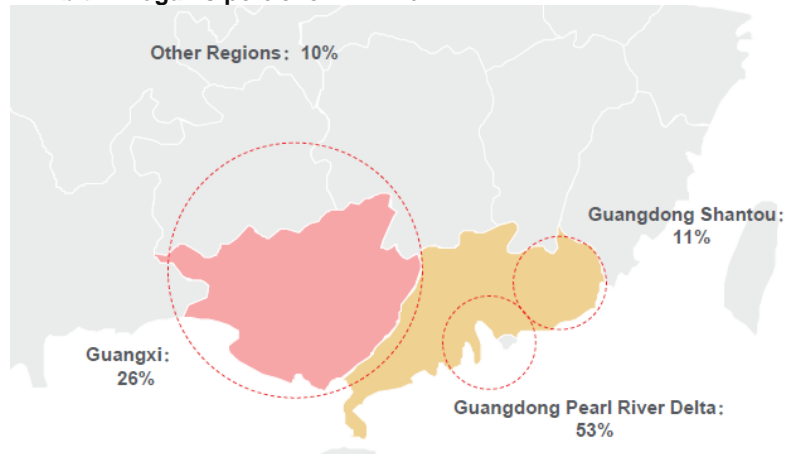
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A Guangdong-focused player

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.

Exhibit 1: Logan's portfolio in China



Source(s): Company

Exhibit 2: Longan City, Huizhou



Source(s): Company

Exhibit 3: Grand View, Foshan



Source(s): Company

Exhibit 4: Provence, Nanning



Source(s): Company

Exhibit 5: Longan Century Centre, Shenzhen

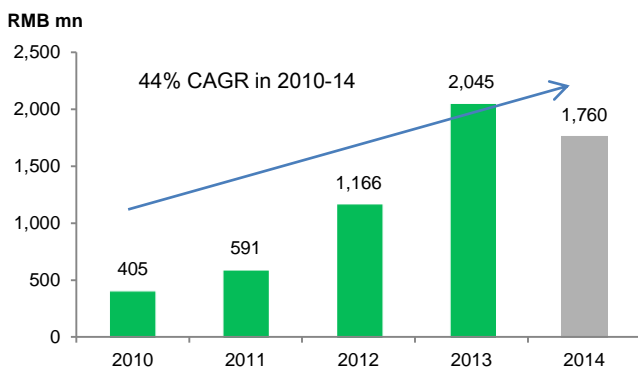


Source(s): Company

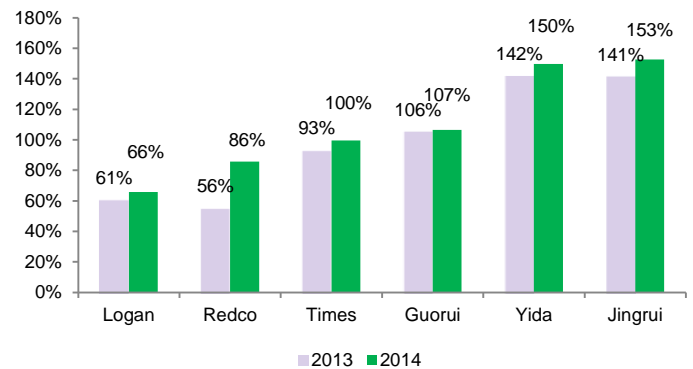
An outstanding developer among the small/mid-cap peers recently listed.

Strong growth in Logan has been recorded over the past few years. Core profit rose from RMB 405mn in 2010 to RMB 1.8bn in 2014, implying a 44% CAGR during 2010-14. Logan's FY14 profit of RMB1.8bn is comparable to major mid-cap developers such as KWG. Unfortunately, due to a short listing history, Logan is benchmarked by market with other newcomers. Among the 6 major recently listed small/mid cap developers (excl. Logan) in 2013-2014, four of them have a net gearing at 100% or above, while 3 of them have a core profit below RMB 500mn. Logan differentiated from these players by having the lowest gearing as well as higher core profit and margins.

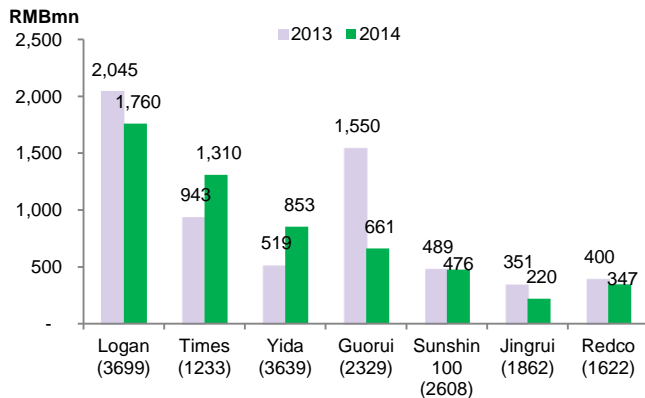
However, the market is generally skeptical of newly listed companies in general. Logan's share price was up only by 16% since Apr 2 compared to the average increase of 28% in China's real estate sector during the period. We believe Logan's full potential has been overlooked by the market.

Exhibit 6: Logan's Core profit


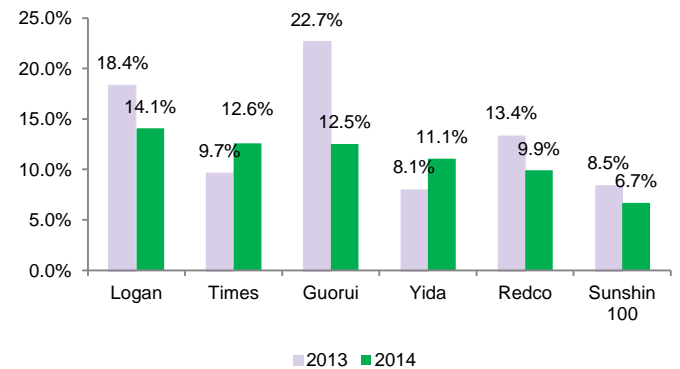
Source(s): Company, ABCI Securities

Exhibit 7: Net gearing for newly listed names


Source(s): Company, ABCI Securities

Exhibit 8: Core profit for newly listed names


Source(s): Company, ABCI Securities

Exhibit 9: Net margin comparison for newly listed names


Source(s): Company, ABCI Securities

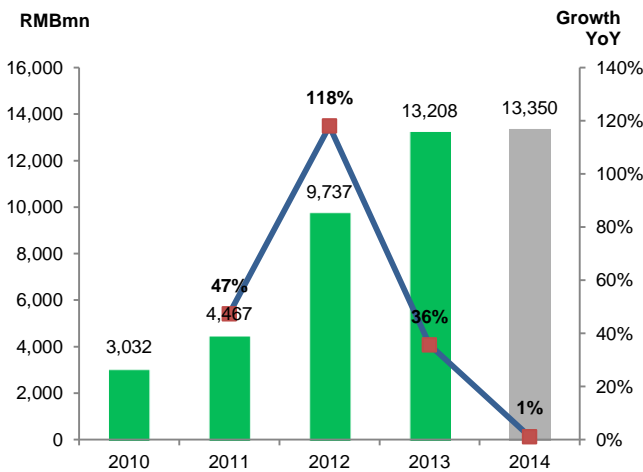
Logan's four key strength

1. Fast-growing presales and profitability

Logan has delivered outstanding financial performance (by presales, margin and earnings growth) over the last 4 years.

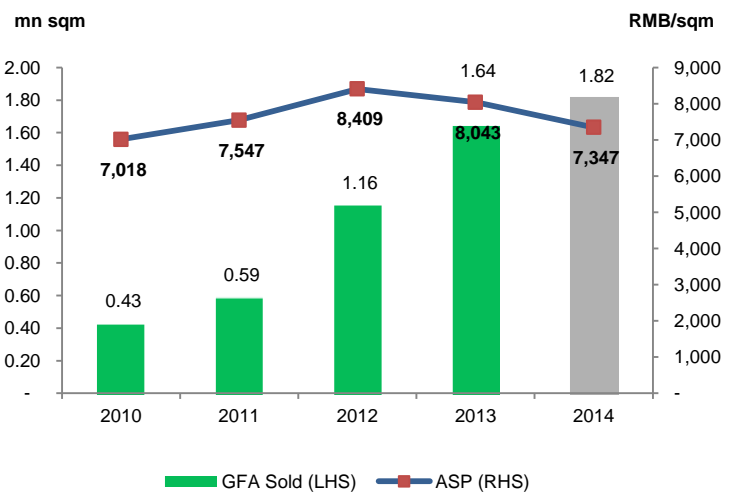
Presales grew from just RMB 3bn in 2010 to RMB 13bn in 2014, implying a CAGR of 44%. Even in 2011 when the home purchase restriction was enforced, Logan's presales still grew 47% YoY. In 2014, Logan's presales growth was flat (+1% YoY to RMB13.35bn) despite the fact that price war was rampant in the oversupplied market. We attribute Logan's success to its focus on first-home buyer's in the affluent Guangdong market. 90% of Logan's products have a lump sum worth of less than RMB 1mn per unit; pricing was competitive at RMB 7-8k/sqm.

Exhibit 10: Logan's presales



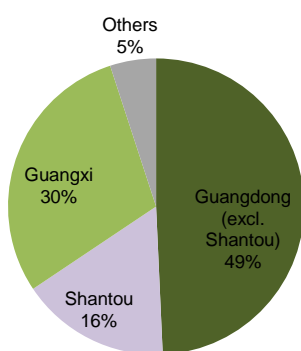
Source(s): Company, ABCI Securities

Exhibit 11: Logan's GFA sold and ASP



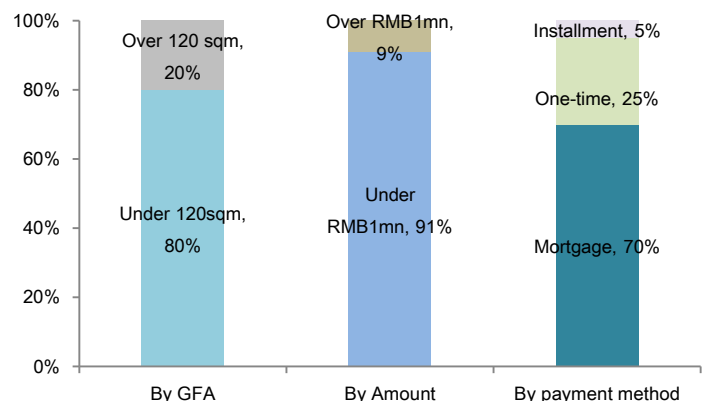
Source(s): Company, ABCI Securities

Exhibit 12: 2014 presales by region (RMB 13.35bn)



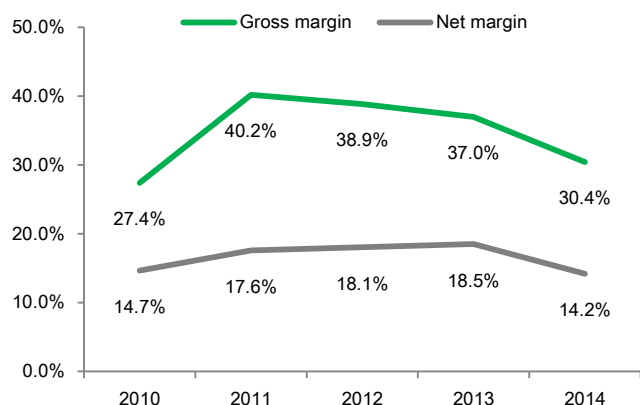
Source(s): Company, ABCI Securities

Exhibit 13: Presales mix by GFA, amount and buyers (2014)

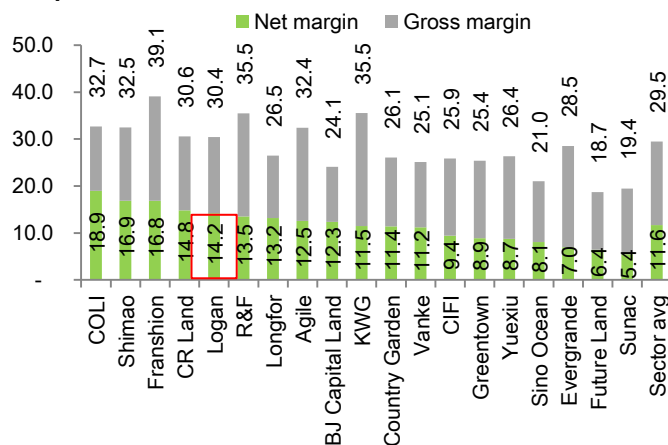


Source(s): Company, ABCI Securities

Geographic concentration supports a healthy net profit margin. Focusing on the two key markets (95% of presales are from Guangdong and Guangxi), Logan is able to achieve the economy of scale and its geographic concentration also helps reduce SG&A costs. While the Group's FY14 gross margin of 30% was similar to the sector's average of 29.5%, its net margin of 14.2% is noticeably higher than sector average of 11.6%.

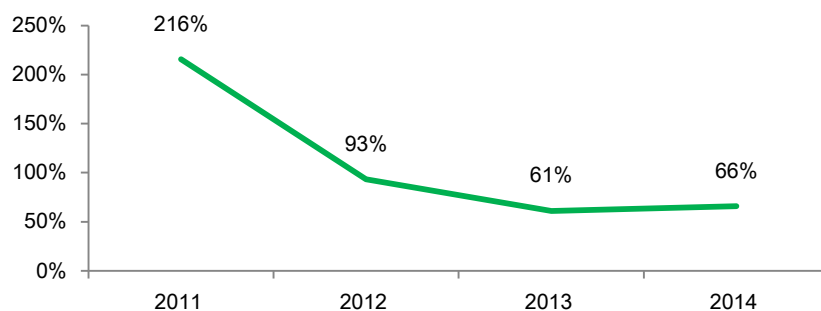
Exhibit 14: Logan's gross and net margin trends


Source(s): Company, ABCI Securities

Exhibit 15: Core net margin and gross margins among developers in 2014


Source(s): Company, ABCI Securities

Disciplined land acquisition. Despite its rising landbank, Logan's net gearing has remained healthy at 60%-70% level after its listing in Dec 2013, demonstrating the Group's ability to control its debt level while expanding its business scale.

Exhibit 16: Net gearing trend


Source(s): Company, ABCI Securities

Exhibit 17: Logan's FY14 results

P&L	FY14	FY13	YoY Chg
	RMB mn	RMB mn	(%)
Turnover	12,498	11,119	12.4
Cost of Sales	(8,694)	(7,004)	24.1
Gross Profit	3,804	4,116	(7.6)
Gross Margin (%)	30.4	37.0	(6.6)
Selling and distribution costs	(413)	(304)	35.9
Administrative expense	(527)	(425)	24.1
EBIT	2,864	3,387	(15.4)
EBIT Margin (%)	22.9	30.5	(7.5)
Other income	85	28	209.0
Fair Value gains on IP and other exceptional items	862	(3)	na
Share of profit from JCE/ Associates	-	-	na
Finance cost	(94)	(103)	(9.2)
Profit before tax	3,718	3,309	12.4
Tax	(1,297)	(1,252)	3.6
- LAT	(440)	(560)	(21.4)
- Enterprise tax	(857)	(613)	39.8
Profit after tax	2,421	2,056	17.7
Minority Interest	(73)	(32)	126.7
Net profit	2,348	2,024	16.0
Core net profit	1,760	2,045	(13.9)
Core net margin	14.1	18.4	(4.3)

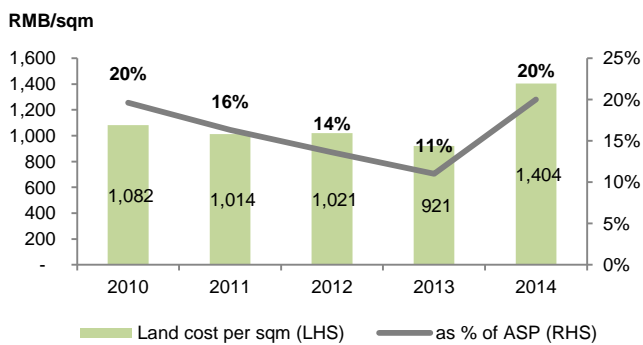
Source(s): Company, ABCI Securities

Operating statistics	FY14	FY13	YoY Chg
			%
Contracted GFA (mn sqm)	1.82	1.64	10.7
Contracted ASP (RMB/sqm)	7,347	8,043	(8.7)
Contracted Sales (RMB mn)	13,350	13,208	1.1
GFA Delivered (mn sqm)	1.74	1.24	40.3
Booked ASP (RMB/sqm)	7,022	8,376	(16.2)
Property sales booked (RMB mn)	12,215	10,385	17.6
Balance sheet	Dec-14	Dec-13	YoY chg
	RMB mn	RMB mn	ppt
Gross debt	16,265	8,983	81.1
Cash	7,514	4,506	66.8
Net debt	8,751	4,477	95.5
Net gearing (%)	66%	61%	-10ppt
Revenue breakdown	FY14	FY13	YoY Chg
	RMB mn	RMB mn	%
- Property Sales	12,215	10,385	17.6
- Property leasing	55	60	(9.4)
- Construction	228	674	(66.1)
Total	12,498	11,119	12.4

2. Low-cost land at strategic locations

As of Dec 2014, Logan had a total landbank of 13.68mn sqm with an average land cost of RMB 1,368/sqm, equivalent to 18.6% of ASP (2014: RMB 7,347/sqm). Its low land cost will support a healthy gross margin in future. Logan has been prudent in land acquisition and has always been avoiding bidding for "land king", which refers to sites priced at a high or excessive premium. In the past, Logan focused on the tier-2 cities where land costs are more reasonable. In 2014, however, Logan entered the Shenzhen market by acquiring a premium site in Longhua district when the overall land market cooled down.

Exhibit 18: Booked land cost per sqm and as a percentage of ASP



Source(s): Company, ABCI Securities

Exhibit 19: Land acquisitions by Logan in 2014

City	Stake %	GFA mn sqm	Land cost RMB mn	AV RMB/sqm
Shantou	50%	0.70	1968	2,819
Chengdu	100%	0.36	561	1,561
Foshan	100%	0.26	507	1,919
Chengdu	100%	0.31	501	1,622
Guilin	100%	0.59	645	1,097
Haikou	100%	0.15	302	2,024
Shenzhen	51%	0.19	4,680	25,094
Total		2.55	9,163	3,587

Source(s): Company, ABCI Securities

The Logan City project is well positioned to capture the recovery in the first-home buyers' market after rate cut: The Logan City is one of the most important projects by Logan given its size of 3.7 mn sqm, which accounts for 27% of the Group's total land bank. Located in Huizhou, the Logan City project is near the eastern border of Shenzhen and attracts a substantial number of first-home buyers with limited budgets. Besides, transportation 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. In Apr 2015, Logan City sold a total of 800 units in just one month.

With a land cost of just RMB 278/sqm, the Logan City is priced at RMB 6,000/sqm to attract first-home buyers. We believe both the presales and ASP will grow further for the rest of 2015.

Exhibit 20: Location of Logan City



Source(s): Company

Exhibit 21: Xiamen-Shenzhen high speed rail



Source(s): Company

Jiulongxi project (玖龙玺) should benefit from market recovery in Shenzhen: In 2014, Logan acquired the 186.5k sqm land site located at the Baishilong Metro station in Shenzhen at RMB 4,680mn, or RMB 25,094/sqm. The Jiulongxi project, which is 51%-owned by Logan, is expected to start preselling in Oct 2015. Since the secondary housings in the surrounding area are selling at RMB 40-55k/sqm, margin outlook is positive for the Jiulongxi project.

We believe the project to be well received by the market given the recent recovery in Shenzhen's new home sales. The Tiara project by MTR (66 HK) sold 98% of its 641 units launched on the first day despite its ASP of RMB 36,000/sqm, which represents a 30% premium to the ASP in Longhua district (RMB 27.6k/sqm). In fact, the Centaline leading Index for Shenzhen rebounded 11.1% in 4M15, demonstrating a solid recovery trend after various stimulus policies to prop up the real estate market.

Exhibit 22: Jiulongxi project

Location	Located at the Baishilong Metro Station in Shenzhen Longhua Area, 1.5km (2 mins drive) from Shenzhen North Railway Station, and 6.7 km (15 mins 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

*Data as at Dec 2014

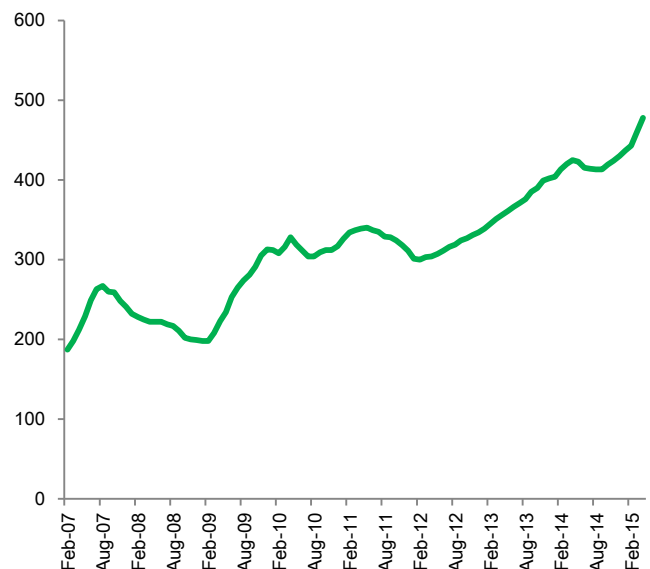
Source(s): Company, ABCI Securities

Exhibit 23: Jiulongxi project


Source(s): Company

Exhibit 24: Location of Logan City and nearby projects

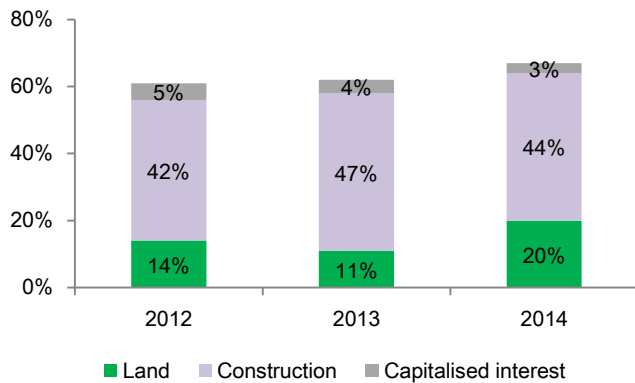

Source(s): Soufun, ABCI Securities

Exhibit 25: The Centaline Leading Index for Shenzhen


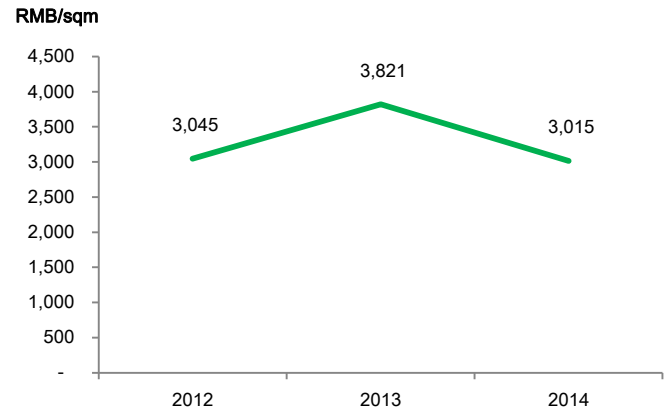
Source(s): Centaline, ABCI Securities

3. An integrated construction development model enables high margin

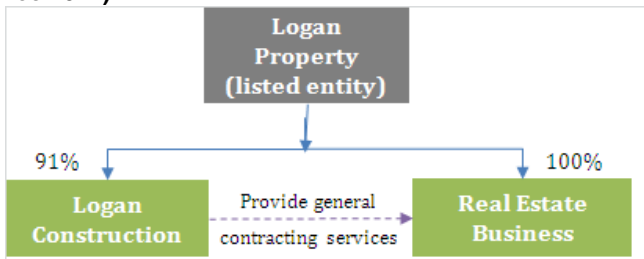
Logan Construction, which is 91%-owned by the Group, is responsible for the construction work of Logan's projects so as to implement effective controls on construction cost under the centralized procurement management. Over 2012-14, construction cost to ASP has been stable in the range of 42%-47%; Logan 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)


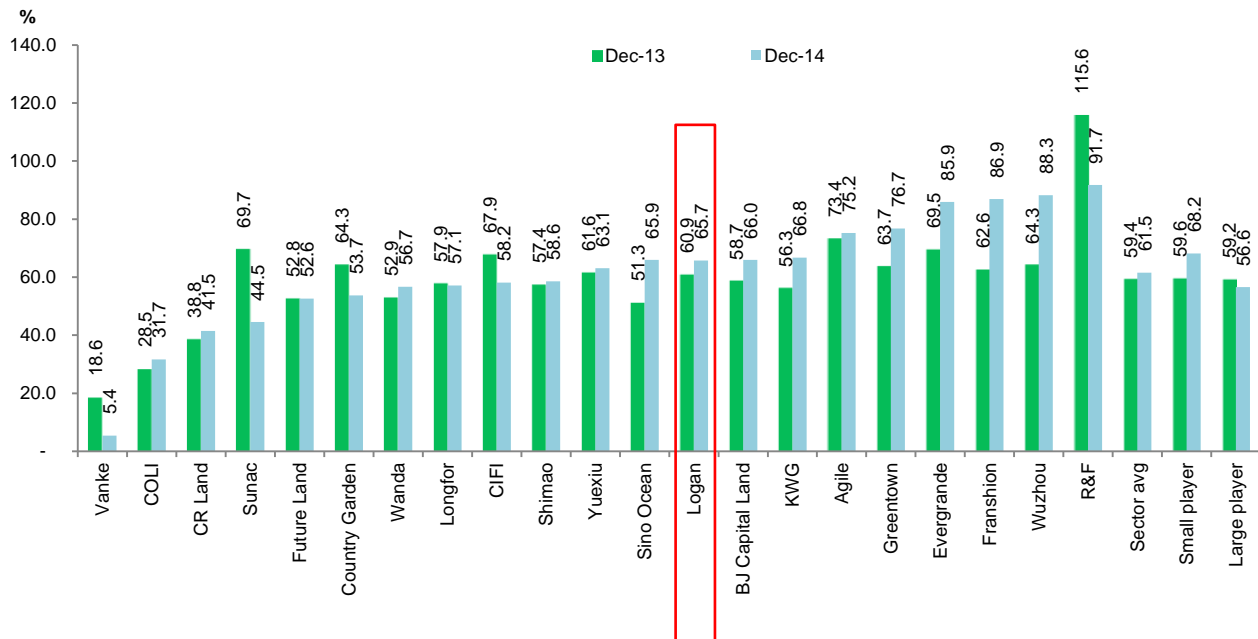
Source(s): Company, ABCI Securities

Exhibit 29: Construction cost per sqm among developers in 2014


Source(s): Company, ABCI Securities

4. Well recognized by offshore credit market

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%). Improvement was seen in 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 its outstanding debt.

Exhibit 30: Net gearing levels among developers (%)


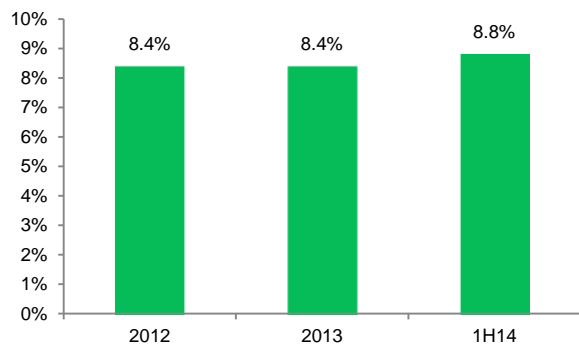
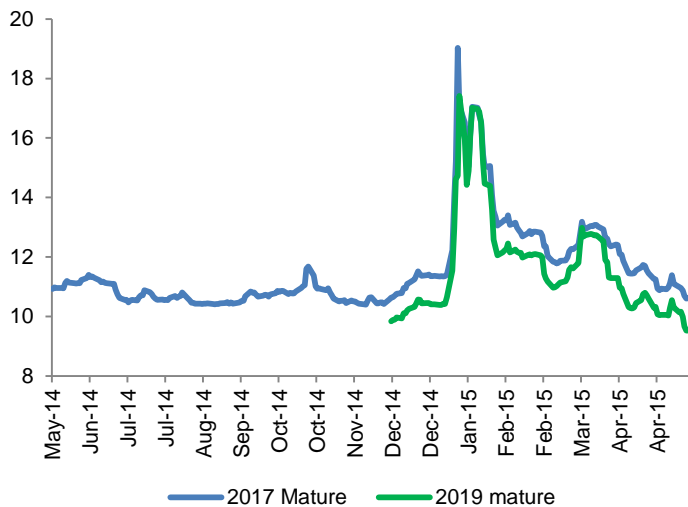
Source(s): Company, ABCI Securities

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%

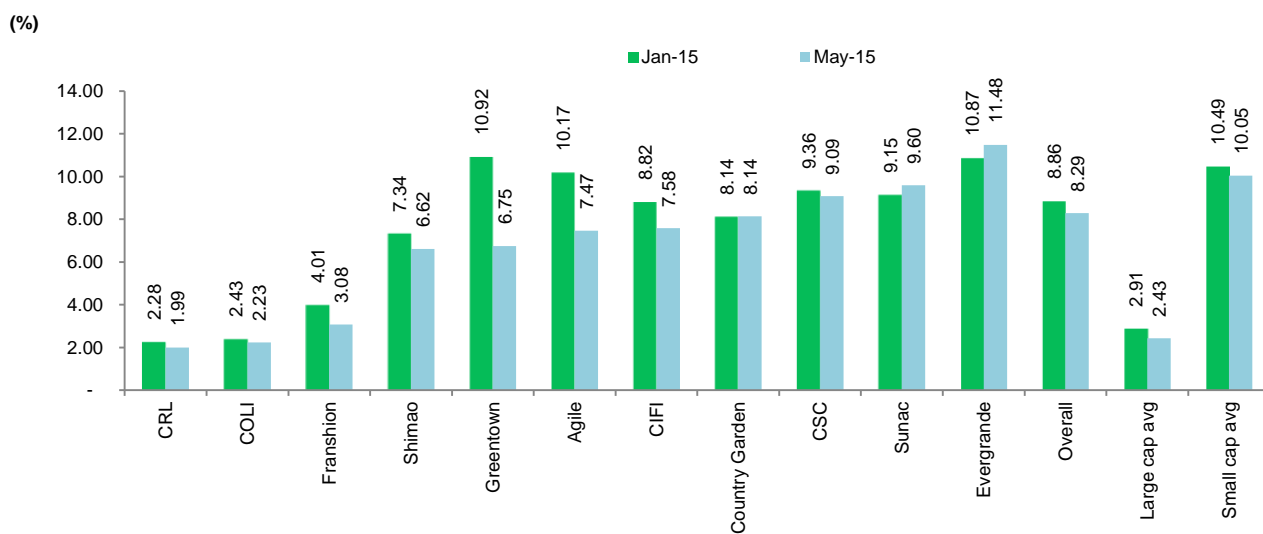
Source(s): Company, ABCI Securities

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 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.

Exhibit 32: Logan's effective interest rate in 2012-2014

Exhibit 33: Logan's bond yield in Apr 13- Apr 14


Source(s): Company, ABCI Securities

Source(s): Bloomberg, ABCI Securities

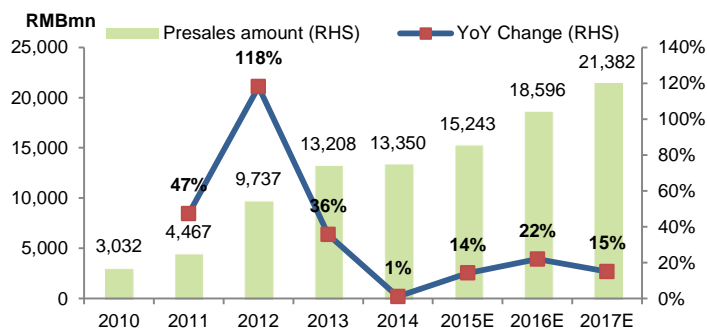
Exhibit 34: Bond yield comparison


Source(s): Bloomberg, ABCI Securities

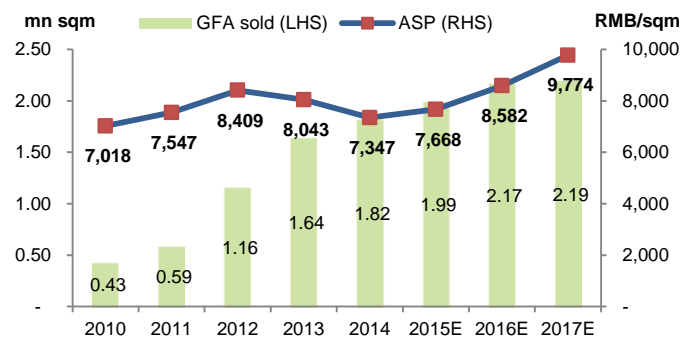
Financial Analysis

Strong core profit growth at 25% CAGR in 2014 -16E

Despite a weak property in 2014, Logan still managed to grow its presales by 1% to RMB13.4bn. In 2015, Logan plans to achieve RMB14.5bn in presales – a target which we believe to be conservative with the slew of supporting policies being implemented recently. In 4M15, Logan achieved RMB4.26bn presales (29% of target) with 642k sqm GFA sold at RMB6,635/sqm. We expect presales to grow 14% to RMB 15.2bn in 2015E, beating its sale target. We also expect ASP to improve 4% YoY because of : 1) increasing price power in Shenzhen and Huizhou on market rebound; 2) product mix change, since new project in Shenzhen (Jiulongxi) (Project ASP is likely to exceed RMB 40k/sqm) will start to contribute.

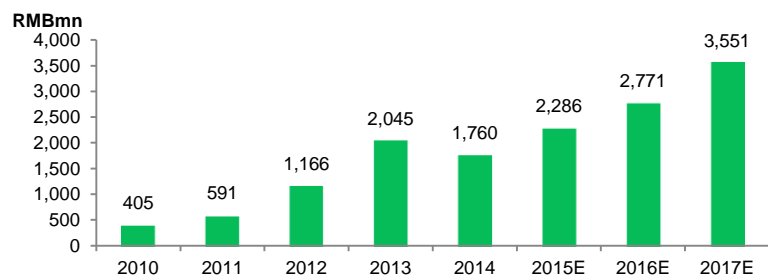
Exhibit 35: Logan's presales


Source(s): Company, ABCI Securities estimates

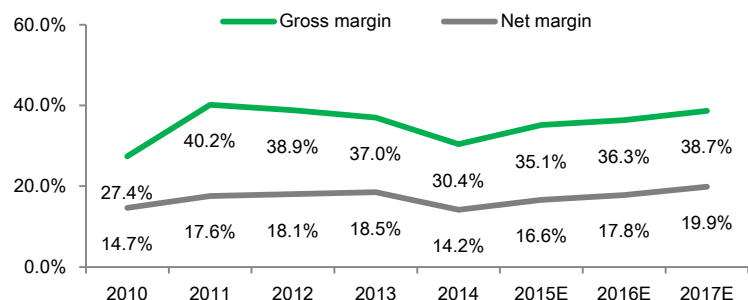
Exhibit 36 : Logan's booked sales


Source(s): Company, ABCI Securities estimates

As ASP recovers, we expect gross and net margins to return to 2011-13 levels. We forecast gross margin to rise from 30.4% in 2014 to 35%-39% in 2015E-17E, while core net margin should improve from 14.2% in 2014 to 17-20% in 2015E-17E. On both presales and margins rise, we expect net profit to jump 30% YoY in 2015E to RMB 2.3bn, and rise 21%/28% YoY in 2016E/2017E to RMB2.8bn/RMB3.6bn.

Exhibit 37: Logan's core net profit in 2010-16E (RMB mn)


Source(s): Company, ABCI Securities estimates

Exhibit 38: Logan's gross and net margins in 2010-16E


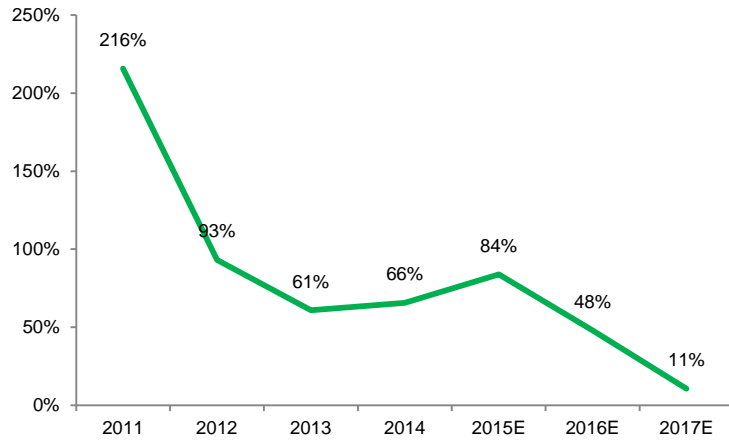
Source(s): Company, ABCI Securities estimates



Gearing to decline on positive operating cash flow

We expect Logan to remain active in land market in 2015 and hence gearing may rise temporarily to 84% in 2015. However, net gearing should trend down consistently in 2016E-17E as presales of the new sites acquired start to generate cash inflow.

Exhibit 39: Logan's net gearing in 2010-16E



Source(s): Company, ABCI Securities estimates



Initiate Logan with BUY with TP at HK\$3.40

Exhibit 40: Logan's end- FY15E NAV estimates

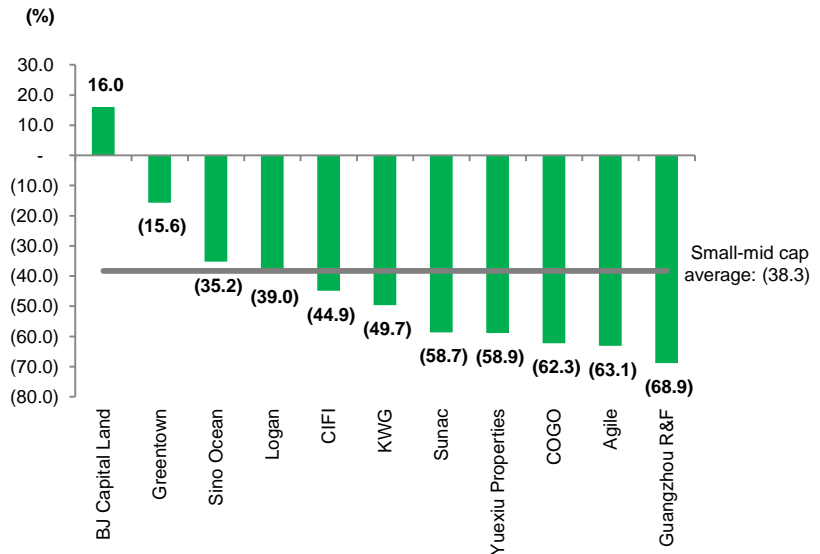
	Attr. GFA (mn sqm)	Net assets value (RMB mn)	% of total	Valuation Method	Implied value per sqm (RMB)
Property development					
Shantou	1.4	3,956	14%	DCF with WACC of 8.7%	2,770
Dongguan	0.2	380	1%		1,878
Zhongshan	0.5	690	3%		1,456
Foshan	1.0	2,444	9%		2,452
Shenzhen	0.3	5,922	22%		22,103
Huizhou	4.1	6,709	25%		1,626
Nanning	0.9	678	2%		790
Others	4.5	6,549	24%		1,448
Subtotal	12.9	27,328	85%		2,122
Investment Properties		4,685	15%		Book value
Total 2015E GAV		32,012	100%		
2015E Net debt		(12,594)	-39%		
Total 2015E NAV		19,418	61%		
No. of share outstanding (diluted)		5,000			
NAV per share (RMB)		3.88			
Ex rate		1.25			
NAV per share (HKD)		4.85			
Target discount (%)		30%			
Target Price (HKD)		3.40			
WACC	8.7%				
Cost of Debt	8.0%				
Cost of Equity	12.0%				
Debt/ (Debt + Equity)	55%				

Source(s): Company, ABCI Securities estimates

We assess the value of Logan's stocks based on the discount-to-NAV method, one of the most common valuation metrics used by developers in China:

- **Property developments:** We conduct a DCF analysis and apply a WACC of 8.7% to gauge the value of individual projects; total value of property development projects arrives at RMB 2.3bn.
- **Investment properties:** We apply 1x book value on the investment properties balance of RMB 4,685mn as at Dec 2014, which implies a cap rate of 1.2% based on the RMB 55mn rental income generated on 2014.

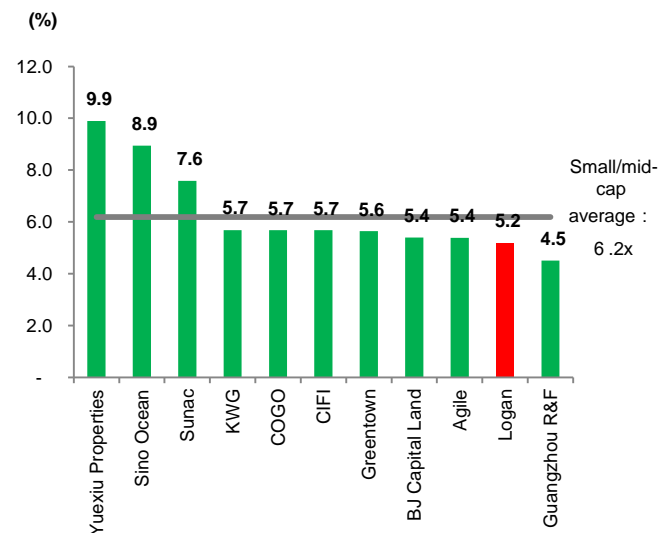
We subtract the gross asset value of RMB 32.0bn by our 2015E net debt estimate (RMB 12.6mn) to derive our end-FY15E NAV of RMB 19,418mn (or HK\$ 4.85/share). We apply a 30% discount (vs. small/mid-cap average of 38%) to our end-FY15E NAV and derive a TP of HK\$ 3.40/share.

Exhibit 41: Average discount to FY15E NAV (%) for small/mid- cap PRC developers


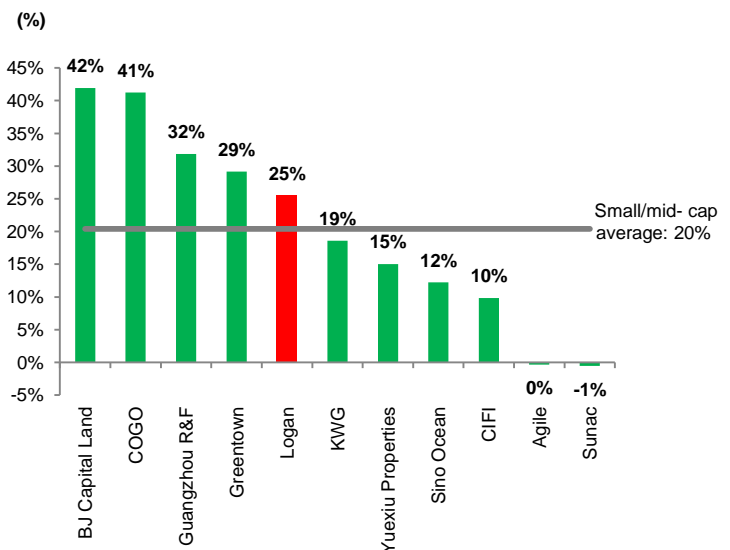
Source(s): Bloomberg, ABCI Securities estimates

Strong growth record and positive prospects deserve higher valuation

Although Logan is trading at a 40% discount to NAV (in line with peer average), Logan's P/E is at 5.2x, lower than peer's average of 6.2x. Our TP of HK\$3.40 only represents 5.9x FY15E P/E, which is conservative given the Group's impressive presales growth and solid balance sheet. We also forecast that Logan's EPS should grow faster than peers at 25% CAGR in 2014-16E, compared to peer average at 20% CAGR. Based on the Company's positive outlook and attractive valuation, we initiate Logan with a BUY rating with TP at HK\$ 3.40.

Exhibit 42: Small- and mid- cap PRC developers' FY15E P/E


Source(s): Company, ABCI Securities estimates

Exhibit 43 : EPS CAGR in 2014-16E


Source(s): Company, ABCI Securities estimates



Exhibit 44: 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	313.7	64.00	49	40	na	(56.34)	12.9	9.5	7.1	1.9	3.1	4.2	1.3	1.4	1.2
1	COLI	688 HK	HOLD	29.50	284.0	28.80	23	25	8	(2.35)	9.9	9.7	6.9	1.9	2.1	2.9	1.8	1.3	1.2
2	Vanke-H	2202 HK	NR		193.9	19.62	12	13	30	1.98	16.3	9.1	8.0	3.2	3.7	4.2	2.0	1.7	1.5
3	CR Land	1109 HK	NR		159.0	24.35	21	19	10	(13.19)	13.5	11.1	9.5	2.0	2.3	2.6	1.5	1.3	1.2
4	Evergrande	3333 HK	HOLD	6.90	98.0	6.63	104	111	24	(22.96)	33.4	12.0	9.0	8.1	4.2	5.5	0.8	0.7	0.7
5	Country Garden	2007 HK	NR		89.4	3.96	29	28	(28)	(41.59)	7.7	6.5	5.8	4.7	5.0	5.6	1.1	1.0	0.9
6	Longfor	960 HK	NR		76.1	13.08	27	31	(5)	(31.98)	9.2	8.0	7.1	2.7	2.7	3.1	1.3	1.1	1.0
7	Shimao	813 HK	NR		60.9	17.54	6	1	4	(46.63)	6.2	5.5	5.0	5.1	5.4	6.0	1.0	0.9	0.8
8	Sino Ocean	3377 HK	NR		43.9	5.84	19	36	(8)	(35.23)	9.9	8.9	7.9	4.1	4.5	5.0	0.8	0.8	0.7
9	Sunac	1918 HK	BUY	12.00	34.0	10.00	47	27	81	(58.65)	7.1	7.6	7.2	2.4	2.4	2.5	1.6	1.4	1.2
10	Guangzhou R&F	2777 HK	NR		31.1	9.64	10	2	(11)	(68.86)	7.0	4.5	4.1	0.0	4.2	5.9	0.7	0.5	0.5
11	Agile	3383 HK	NR		25.4	6.48	41	47	(43)	(63.14)	5.2	5.4	5.2	6.1	5.4	5.6	0.6	0.5	0.5
12	Yuexiu Properties	123 HK	NR		22.7	1.83	17	23	(13)	(58.88)	11.5	9.9	8.6	4.1	4.5	5.0	0.6	0.6	0.6
13	KWG	1813 HK	NR		22.8	7.74	58	46	33	(49.67)	6.6	5.7	4.8	5.3	5.6	6.5	0.9	0.8	0.7
14	Greentown	3900 HK	HOLD	9.70	22.2	10.28	51	34	(30)	(15.63)	9.6	5.6	5.8	0.0	4.9	5.5	0.7	0.7	0.6
15	Logan	3380 HK	BUY	3.40	14.8	2.96	21	23	76	(39.02)	6.7	5.2	4.3	3.7	4.4	5.1	1.1	0.9	0.8
15	CIFI	884 HK	BUY	3.20	15.1	2.50	63	71	68	(44.86)	6.2	5.7	5.2	4.4	4.8	5.2	1.2	1.0	0.9
16	BJ Capital Land	2868 HK	NR		13.1	6.38	67	131	22	16.00	8.2	5.4	4.1	4.9	5.4	6.1	1.1	na	na
17	COGO	81 HK	NR		11.2	4.89	25	24	(46)	(62.30)	9.0	5.7	4.6	1.0	1.5	1.8	0.9	0.8	0.7
HK Listed Avg							38	40	8	(33.61)	10.1	7.3	6.2	3.5	4.1	4.8	1.1	1.0	0.9
- Large cap (>HKD50b) avg							34	34	6	(26.63)	13.6	8.9	7.3	3.7	3.6	4.3	1.3	1.2	1.1
- Small-mid cap (<HKD50b) avg							41	45	9	(38.26)	7.8	6.2	5.4	3.4	4.4	5.1	0.9	0.8	0.7
Commercial:																			
1	SOHO China	410 HK	NR		29	5.49	3	3	(14)	(31.38)	13.2	25.7	24.0	5.7	5.4	5.5	0.6	0.6	0.6
2	HLP	101 HK	NR		113	25.25	13	19	(8)	(27.28)	11.3	17.4	18.2	3.0	3.1	3.1	0.9	0.8	0.8
3	China South City	1668 HK	BUY	4.60	26	3.22	33	(9)	67	(64.65)	8.2	7.4	5.3	4.3	5.9	7.5	1.1	1.1	1.0
4	Hui Xian REIT	87001 HK	NR		23	3.48	0	4	(3)	(20.46)	28.1	15.3	14.7	7.4	7.9	8.2	0.6	0.7	0.7
5	Franshion	817 HK	BUY	4.50	27	3.03	37	36	(14)	(59.15)	8.3	8.0	6.3	3.8	4.1	5.3	0.9	0.8	0.7
6	Shui On Land	272 HK	NR		21	2.60	44	42	(21)	(27.27)	na	54.8	16.3	2.3	2.2	2.6	0.4	0.4	0.4
8	Yuexiu REIT	405 HK	NR		12	4.35	4	16	11	na	38.3	26.8	24.9	6.8	7.2	7.5	0.7	0.8	0.8
9	Zall	2098 HK	NR		10	2.83	17	5	(2)	na	38.9	na	na	0.0	na	na	1.0	na	na
10	Wuzhou	1369 HK	NR		8	1.74	28	18	(21)	na	70.8	11.6	na	0.0	na	na	2.7	na	na
Commercial Avg							20	12	(1)	(43.52)	24.5	18.8	13.9	4.5	6.4	7.3	1.0	0.8	0.7
- Developers							29	18	5	(45.61)	21.9	18.2	12.0	3.9	6.0	7.1	1.1	0.8	0.7
- Landlords/REIT							10	(6)	(3)	(47.45)	33.2	21.1	19.8	7.1	7.5	7.8	0.7	0.7	0.7

* Share price as at May 18, 2015

Source(s): Bloomberg, ABCI Securities estimates



Risk factors

- **Litigation risks.** Anti-corruption effort has been increasing in the property sector over the past 12 months, especially in Shenzhen and Guangdong. 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, hence the litigation risk is limited
- **Rising land cost may hurt margin.** All of Logan's projects are obtained through open tendering, meaning that the Group has to compete with other developers for land. Logan 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 where developers are currently pressured by oversupply and price competition.
- **Low daily turnover.** The stock has an average daily turnover of HK\$ 10mn for the past 3 months only. Upon market downturn, investors may find it difficult to unwind their positions.



Consolidated income statement (2013A-2017E)

FY Ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Revenue	11,119	12,498	14,461	17,029	19,961
Cost of sales	(7,004)	(8,694)	(9,379)	(10,839)	(12,242)
Gross Profit	4,116	3,804	5,082	6,190	7,719
SG&A expenses	(729)	(940)	(1,013)	(1,120)	(1,213)
EBIT	3,387	2,864	4,070	5,070	6,506
Finance cost	(103)	(94)	(113)	(120)	(127)
Share of profit of associates	0	0	0	0	0
Other income/ (expenses)	28	85	58	70	129
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	4,015	5,019	6,508
Tax	(1,252)	(1,297)	(1,608)	(1,981)	(2,545)
Profit after tax	2,056	2,421	2,407	3,038	3,963
Minority interest	(32)	(73)	(121)	(267)	(412)
Reported net profit	2,024	2,348	2,286	2,771	3,551
Less: exceptional items	21	(588)	0	0	0
Underlying net profit	2,045	1,760	2,286	2,771	3,551
Per share					
Underlying EPS (RMB)	0.41	0.35	0.46	0.55	0.71
DPS (RMB)	0.11	0.11	0.13	0.15	0.20
Payout ratio (%)	27%	31%	28%	27%	28%
BVPS (RMB)	1.47	2.24	2.57	2.97	3.48
Growth %					
Revenue	68.8%	12.4%	15.7%	17.8%	17.2%
Gross Profit	60.8%	-7.6%	33.6%	21.8%	24.7%
EBIT	63.3%	-15.4%	42.1%	24.6%	28.3%
Underlying net profit	75.3%	-13.9%	29.9%	21.2%	28.2%
Margin %					
Gross margin	37.0%	30.4%	35.1%	36.3%	38.7%
Gross margin (post-LAT)	34.2%	27.5%	30.2%	31.3%	33.1%
EBIT margin	30.5%	22.9%	28.1%	29.8%	32.6%
Core net margin	18.5%	14.2%	16.6%	17.8%	19.9%
Key assumptions					
Contracted Sales (RMB mn)	13,208	13,350	15,243	18,596	21,382
GFA sold (m sqm)	1.64	1.82	1.99	2.17	2.19
ASP (RMB/sqm)	8,043	7,347	7,668	8,582	9,774
Booked Sales (RMB)	10,385	12,215	14,157	16,703	19,610
GFA delivered (m sqm)	1.24	1.74	1.84	2.05	2.15
Booked ASP (RMB/sqm)	8,376	7,022	7,688	8,155	9,106

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	45,350	50,047	55,352
Cash	3,827	5,576	2,733	8,035	15,153
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	36,843	36,238	34,425
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	51,061	55,857	61,263
Current Liabilities	13,635	17,827	22,345	24,904	27,397
Short term borrowings	2,754	3,824	4,824	5,824	6,824
Trade & other payables	3,382	3,195	3,195	3,195	3,195
Pre-sales deposits	6,347	8,648	12,166	13,725	15,217
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	36,037	38,595	41,088
Net Assets	7,350	13,317	15,024	17,262	20,175
Shareholders' Equity	7,336	11,210	12,846	14,867	17,418
Minority Interest	14	2,107	2,178	2,395	2,757
Total Equity	7,350	13,317	15,024	17,262	20,175
Key ratio					
Gross debt (RMB mn)	8,983	16,265	17,265	18,265	19,265
Net debt (RMB mn)	4,477	8,751	12,594	8,293	2,174
Net gearing (%)	61%	66%	84%	48%	11%
Contracted sales/ Total assets (x)	0.47	0.30	0.30	0.33	0.35

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	4,089	5,089	6,526
Change in Working Capital	(3,053)	(9,806)	(4,222)	3,465	4,680
Tax payment	(1,252)	(1,297)	(1,608)	(1,981)	(2,545)
Operating Cash flow	(902)	(8,220)	(1,740)	6,573	8,661
Purchase of PP&E	(20)	(20)	(20)	(20)	(20)
Addition of Investment Properties	(100)	(100)	(100)	(100)	(100)
Others	28	85	58	70	129
Investing cash flow	(92)	(35)	(62)	(50)	9
Debt raised	3,615	11,613	5,000	5,000	5,000
Debt repaid	(841)	0	(4,000)	(4,000)	(4,000)
Interest expenses	(1,107)	(1,010)	(1,341)	(1,421)	(1,501)
Equity raised	(92)	(35)	(62)	(50)	9
Dividend to shareholders	(550)	(550)	(650)	(750)	(1,000)
Others	1,260	(15)	12	0	(59)
Financing cash flow	2,285	10,003	(1,041)	(1,221)	(1,551)
Net cash inflow/ (outflow)	1,291	1,749	(2,843)	5,302	7,118
Cash- beginning	2,537	3,827	5,576	2,733	8,035
Cash- year-end	3,827	5,576	2,733	8,035	15,153

Source(s): Company, ABCI Securities estimates



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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 2009-2013

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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