August 31, 2015
Company Report
Rating: BUY
TP: HK$ 4.60

Share price (HK$)	3.34
Est. share price return	37.7%
Est. dividend yield	3.9%
Est. total return	41.6%

Previous Rating &TP	HK$4.60, BUY
Previous Report Date	July 14, 2015

Analyst : Kenneth Tung
Tel: (852) 2147 8311
Email: kennethtung@abci.com.hk

Key Data

52Wk H/L(HK$)	3.70/2.30
Issued shares (mn)	5,000
Market cap (HK$ mn)	16,650
3-mth avg daily turnover (HK$ mn)	15.19
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

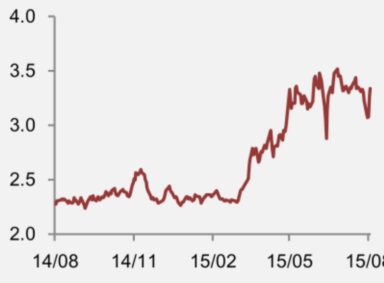
Source(s): Company, ABCI Securities

Share performance (%)

	Absolute	Relative*
1-mth	(0.9)	13.3
3-mth	(0.3)	27.1
6-mth	38.7	60.2

*Relative to HSI
Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK$)



Source(s): Bloomberg, ABCI Securities

Logan (3380 HK)

Lift full-year sales target to RMB 18bn

- 1H15 core profit rose 1.8% YoY to RMB 692mn
- Gross margin remained stable at 29.8% on construction cost control
- The Group lift full-year sales target from RMB14.5bn to RMB18bn
- The Group raised RMB 5bn in domestic corporate bond with a 4.77%-5.0% coupon; we expect effective interest rate to fall 2ppt by end-2015E
- Maintain **BUY** with unchanged TP of HK$4.60 based on a 50% discount to NAV

1H15 core profit rose 1.8%YoY to RMB 692mn. In 1H15, Logan's 1H15 core net profit rose slightly by 1.8%YoY to RMB 692mn as revenue increased 8% to RMB 5.16bn. Booked property sales rose 10.8%YoY to RMB 5,070mn as GFA delivered surged 52%YoY to 0.83mn sqm. Despite the 27%YoY decline in booked ASP, gross margin remained stable at 29.8% in 1H15 compared to 30.3% in 1H14. Logan has been successful in implementing stringent construction cost control through its in-house construction entity. Hence, construction cost per sqm declined 7% YoY to RMB 2,794/sqm. As ASP of the flagship project, Logan City, rallied by 30% YTD to RMB 7-10k/sqm, we believe the Group's gross margin is likely to improve in 2H15.

Raising presales target by 24% to RMB 18bn. In 1H15, Logan's presales surged by 52% YoY to RMB 8.41bn on the reviving property market in Shenzhen. In July, monthly presales rose further by 67%YoY to RMB 1.68bn. Since presales in 7M15 have fulfilled 70% of the full-year target announced in early 2015, the Group decided to raise 2015 sales target from RMB 14.5bn to RMB 18bn. In 4Q15, Logan will launch the Shenzhen Acesite Mansion (九龙玺). Conveniently located at Baishilong Metro station in Shenzhen, the project is 2 minutes away from Shenzhen North Station and 10 minutes from Futian CBD. We expect the project to contribute significantly to presales in 2H15. For FY15, Logan's saleable resource is estimated to be ~RMB33bn. The revised sales target of RMB 18bn only implies a 55% sell-through rate, which is achievable in our view.

Issued RMB 5bn of domestic corporate bond to lower finance cost. In Aug 2015, Logan raised RMB 4bn through the 5-year domestic corporate bond with a 5% coupon and RMB 1bn through the 4-year domestic corporate bond with a 4.77% coupon. The new debt raised bears a much lower interest rate than the offshore USD bond (with 9.75%-11.25% coupon) issued in 2014. Logan is committed to improving its balance sheet, as evidenced by the reduced net gearing 65.7% in Dec 2014 to 63.8% in June 2015, and decline in high-cost trust loan from RMB 2.2bn (14% of total debt) in Dec 2014 to just RMB1.7bn in June 2015 (11% of total debt). We expect Logan's effective interest rate to drop 2ppt by end-2015 from 9% as of June 2015. *(continue next page)*

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)	6.5	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 (%)	3.29	3.29	3.89	4.49	5.99
Net gearing[2] (%)	60.9	65.7	49.3	Net cash	Net cash

[1]Underlying net income =Net profit - revaluation gain of investment properties and one-off items
[2]Net gearing=Net debt/Total equity
Source(s): Bloomberg, ABCI Securities estimates

Maintain BUY at HK$4.60; a rising star in investors' eyes. We keep our earnings forecasts unchanged as we have raised our 2015 presales assumption to RMB 19bn since our last report (dated July 14, 2015). We also keep our NAV (RMB36.7bn), discount to NAV (50%), and TP (HK$4.60) unchanged. Despite recent market correction, Logan's share price only declined by 1% over the past month as opposed to the 13% correction in HSI. We believe strong share price performance may reflect rising investors' interest in Logan given its exposure in the reviving Shenzhen market. Maintain **BUY**.

Risk factors: 1) Forex risks; 2) Rising land cost; 3) Oversupply in tier 2/3 cities.

Exhibit 1: Logan's 1H15 results

P&L	1H15	1H14	YoY Chg
	RMBmn	RMBmn	(%)
Turnover	**5,156**	**4,780**	***7.9***
Cost of Sales & direct operating costs	(3,621)	(3,333)	*8.6*
Gross Profit	**1,535**	**1,447**	***6.1***
Gross Margin (%)	***29.8***	***30.3***	***-0.5ppt***
Selling and distribution costs	(207)	(142)	*45.9*
Administrative expense	(223)	(199)	*11.9*
EBIT	**1,106**	**1,106**	***(0.1)***
EBIT Margin (%)	***21.4***	***23.1***	***-1.7ppt***
Other income, gains and losses	50	36	*40.9*
Fair value gain of investment properties	515	850	*(39.4)*
Other exceptional items	(14)	(5)	*na*
Share of profit from JCE/ Associates	0	0	*na*
Finance cost	(23)	(47)	*(50.6)*
Profit before tax	**1,634**	**1,940**	*(15.8)*
Tax	**(559)**	**(623)**	***(10.2)***
- LAT	(172)	(152)	*13.4*
- Enterprise tax	(387)	(471)	*(17.8)*
Profit after tax	**1,075**	**1,317**	*(18.4)*
Minority Interest	(44)	(31)	*40.8*
Net profit	**1,031**	**1,286**	*(19.8)*
Core net profit	**692**	**680**	***1.8***
Core net margin	***13.4***	***14.2***	***-0.8ppt***

Operating statistics	1H15	1H14	YoY Chg
Presales GFA (mn sqm)	1.25	0.76	*64.1*
Presales ASP (RMB/sqm)	6,755	7,303	*(7.5)*
Presales Sales (RMBmn)	**8,410**	**5,541**	*51.8*
GFA Delivered (mn sqm)	0.83	0.54	*52.3*
Booked ASP (RMB/sqm)	6,118	8,408	*(27.2)*
Property sales booked (RMBmn)	**5,070**	**4,575**	***10.8***

Balance sheet	Jun-15	Dec-14	HoH %
	RMBm	**RMBm**	
Gross debt	15,312	16,265	*(5.9)*
Cash	6,423	7,514	*(14.5)*
Net debt	**8,889**	**8,751**	*1.6*
Net gearing (%)	**63.8**	**65.7**	***-1.9ppt***

Source(s): Company, 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 cash flow	**(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 cash flow	**(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 cash flow	**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

Disclosures

Analyst Certification
I, Tung Yiu Kei, Kenneth, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests
ABCI Securities Company Limited and/or its affiliates may pursue financial interests to the companies mentioned in the report.

Definition of equity rating

Rating	Definition
Buy	Stock return ≥ Market return rate
Hold	Market return – 6% ≤ 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 ≤180 day volatility/180 day benchmark index volatility
High	1.5 ≤ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 ≤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.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.
Tel: (852) 2868 2183