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LOGAN

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Citi: Tighter Credit Benefits Mid-to-Large Developers Recommends Logan Property as its Top Pick

(China and Hong Kong, 9 February 2017) – In its latest property industry research report, renowned investment bank Citi comments that China’s tighter credit environment will accelerate the consolidation in the property industry, which will benefit large and medium-sized property companies. The bank also recommends **Logan Property Holdings Company Limited** (“Logan Property” or “the Group”, HKEx stock code: 3380) as its Top Pick, being a standout company with visible growth and strong profitability.

Citi’s points out that tighter credit leads to preferential bank lending which benefits large and medium-sized listed property companies. This makes it easier for these companies to get construction loans and secure mortgage quotas for their projects, while small or unlisted companies find it difficult to borrow. Citi also points out that with the acceleration of the industry consolidation, distressed property companies starts to sell their project stakes. With more merger and acquisitions (M&A) and project cooperation are emerging, large and medium-sized property companies have the advantage when it comes to gaining market share.

Citi projects that land prices will pull back in public markets and land acquisitions through M&A will generally costs less. The decrease in land cost is more than enough to offset the higher funding cost. Moreover, due to relatively low offshore funding costs, it expects impact of higher funding cost on developers should be manageable. Citi also expects that when developers take cash flow into account, they can speed up their asset turnover and property sales, which will further enhance the market centralization of the listed property companies.

Citi believes that the recent share price correction for property companies is overdone and it is now a good entry point. It also picked Logan Property as one of its top picks in the property industry based on its strong profitability, fast-growing sales and attractive valuations.

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