



June 17, 2014
Company Report
Rating: BUY
TP: HK\$ 1.60

Share price (HK\$) 1.40
Est. share price return 14.3%
Est. dividend yield 6.2%
Est. total return 20.5%

Previous Rating & TP NA
Previous Report Date NA

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Key Data

52Wk H/L(HK\$) 1.76/1.17
Issued shares (mn) 6,027
Market cap (HK\$ mn) 8,437
3-mth avg daily turnover (HK\$ mn) 4.8
Major shareholder(s) (%):
Lin's family 56.7

Source(s): Company, Bloomberg, ABCI Securities

FY13 Revenue breakdown (%)

Property development 97.2
Property management 2.4
Property investment 0.4

Source(s): Company, ABCI Securities

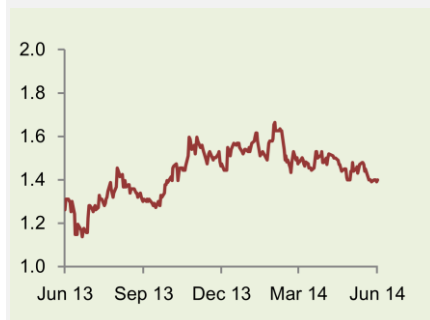
Share performance (%)

	Absolute	Relative*
1-mth	(2.8)	(5.2)
3-mth	(5.0)	(12.0)
6-mth	(3.0)	(4.0)

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

CIFI (884 HK)

Greatness starts small: An ambitious developer with strong financial structure; initiate BUY

- A fast-growing YRD player with presales outperforming peers since listing. CIFI's presales in 2013/ 5M14 grew 61%/44% YoY, as compared to the sector average at 32%/9%.
- Increasing focus in first-tier cities, which represent 50% of total presales revenue in 2013
- Improving cost of debt as CIFI's bond yield dropped from 12.25% in Apr 2013 to 9.5% for the latest batch issued in Jan 2014.
- Initiate BUY with TP at HK\$1.60 based on a 60% discount to FY14E NAV

Impressive execution capability. CIFI's presales grew by 76% and 61% YoY in 2012 and 2013 to RMB 9.5bn and RMB 15.3bn, outperforming its peers. Presales momentum continued in 5M14, and increased by 44% YoY (vs peer average of 9%) despite a challenging year in 2014.

Reputable JV partners help enhance brand value. In 2013, CIFI introduced two major JV partners, Henderson (12 HK) and Greenland, to various projects in Shanghai, Hangzhou, and Hefei. Apart from reducing individual project risk (especially for projects with high land premium of RMB 2bn or above), these two renowned partners could help enhance brand value of the JV projects and expand the Group's financing channels. Market expects that the Group's close relationship with Henderson may lead to possible strategic investment in the future, resembling Greentown's acquisition by Sunac at ~50% premium. We believe the acquisition theme is supportive of CIFI's share prices.

Improving funding cost. CIFI also differentiates itself from other high-growth small- and mid- cap players by its strong balance sheet. CIFI's net gearing in 2013 was 72.2%, lower than other developers utilizing a high asset turnover model such as Sunac (93.3%), Kaisa (78.2%), and Future Land (83.2%). Financing cost is also trending down for the Group. Yield of bonds issued in Jan 2014 was 8.99%, much lower than the 12.25% for the previous batch issued. Interest rate of its syndicated loan was LIBOR+ 4% in Jan 2014 (for the JV project with Greenland), lower than the rate of LIBOR+5.65% for the loan borrowed in July 2013.

Initiate CIFI with BUY. We derive CIFI's end-FY14E NAV (RMB 19.7bn or HK\$ 4.09/share) based on the DCF method with a 10.5% WACC. Our TP of HK\$ 1.60 is based on the average NAV discount of 60% among the mid- and small-cap developers. Based on CIFI's outstanding presales and improved finance cost, we deem its current valuation of 3.6x FY14E P/E with a 6.2% FY14E dividend yield (assuming ~25% payout ratio) as highly attractive.

Risk factors: 1) Overpaying for land may expand presale scale but erode margins; 2) Oversupply in tier 2/3 cities where 80% of its land bank is located; 3) Tightening liquidity may affect financing. 4) Low daily turnover.

Results and Valuation

FY ended Dec 31	2012A	2013A	2014E	2015E	2016E
Revenue (RMB mn)	8,144	11,909	16,972	19,693	22,752
Chg (% YoY)	103.2	46.2	42.5	16.0	15.5
Underlying Net Income (RMB mn) ¹	921	1,519	1,891	2,096	3,017
Chg (% YoY)	49.7	64.9	24.5	10.8	44.0
Underlying EPS (RMB)	0.16	0.25	0.31	0.35	0.50
Chg (% YoY)	49.7	57.9	24.5	10.8	44.0
BVPS (RMB)	1.14	1.43	1.66	1.91	2.27
Chg (% YoY)	100.3	25.9	15.9	15.2	19.0
Underlying PE (x)	7.0	4.4	3.6	3.2	2.2
P/B (x)	1.0	0.8	0.7	0.6	0.5
ROE (%)	14.1	17.6	19.0	18.2	22.1
ROA (%)	3.4	3.9	4.2	4.2	5.4
DPS(HK\$)	0.04	0.07	0.09	0.10	0.14
Yield (%)	2.9	5.0	6.2	6.9	9.9
Net gearing ² (%)	66.6	35.7	55.3	39.6	(51.8)

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



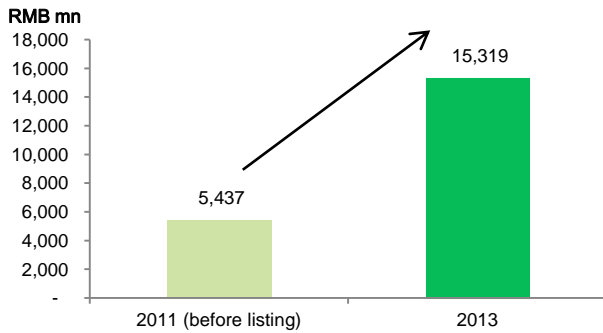
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A fast-growing YRD player

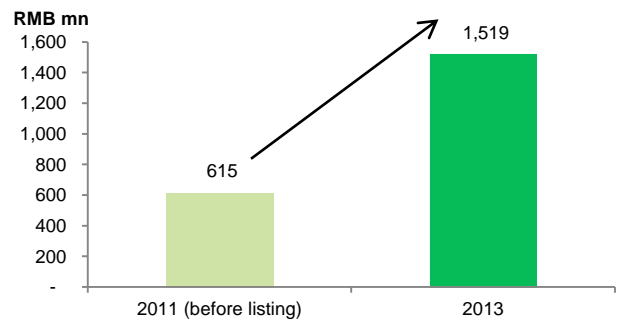
Headquartered in Shanghai, CIFI has expanded its regional coverage from Yangtze River Delta (YRD) in the east to Bohai Rim in the north and central-western China over the past few years. After its listing in 2012, CIFI tripled its presales from RMB 5.4bn in 2011 to RMB 15bn in 2013, and doubled its core profit from RMB 615mn in 2011 to RMB 1,519mn in 2013.

Exhibit 1: CIFI's presales in 2011 and 2013 (RMB mn)



Source(s): Company

Exhibit 2: CIFI's presales in 2011 and 2013 (RMB mn)



Source(s): Company

CIFI focuses primarily on developing small-to-mid size residential units to capture the first-time homebuyer's demand. The Group also selectively develop commercial properties in top tier cities such as Shanghai and Beijing.

Exhibit 3: CIFI's project- CIFI Samite Life (旭辉锦庭)



Source(s): Soufun

Exhibit 4: CIFI's project- CIFI Private Mansion (旭辉·百合公馆)



Source(s): Soufun

Exhibit 5: CIFI's project- CIFI The Education Park (旭辉 E 天地)



Source(s): Soufun

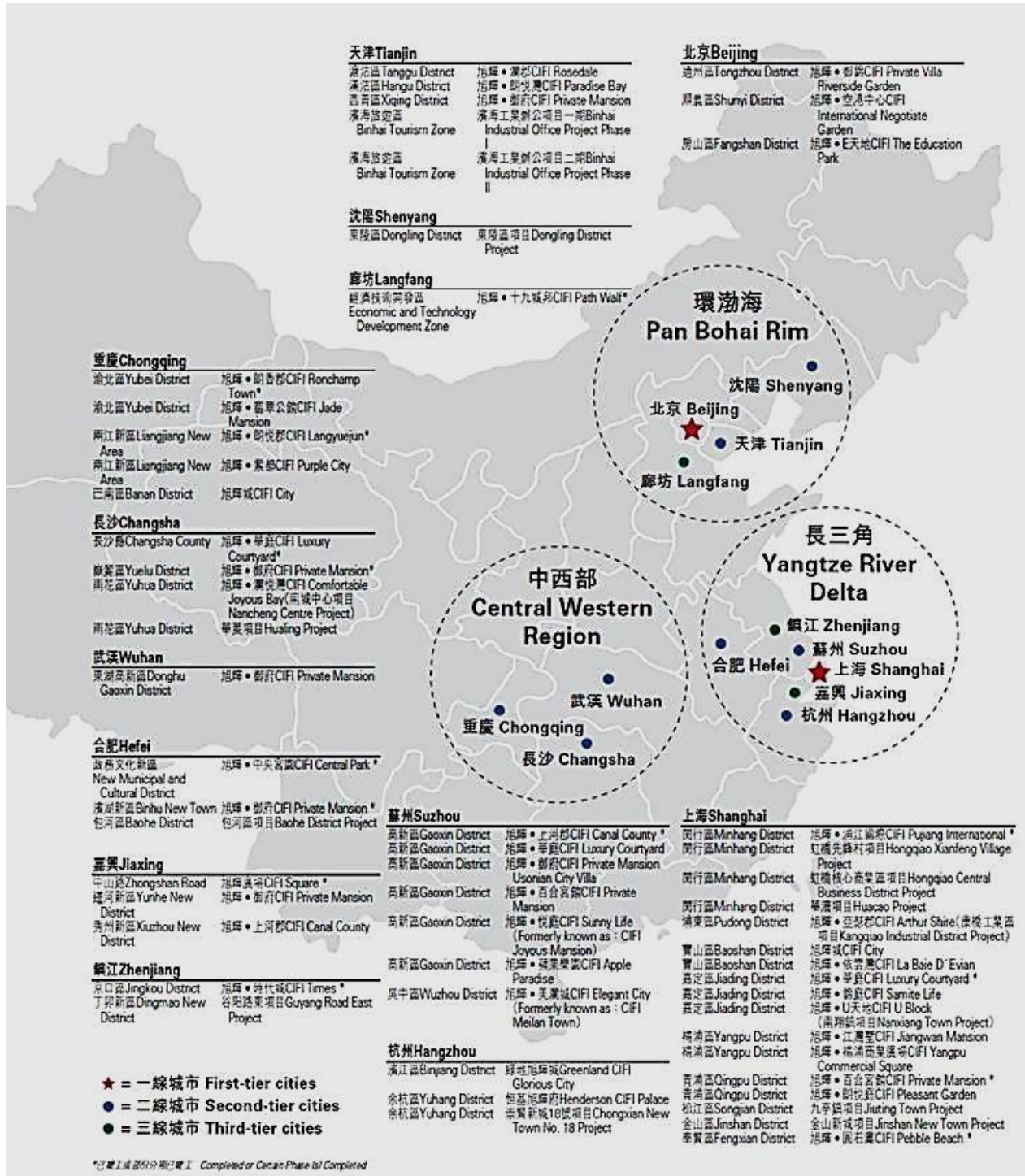
Exhibit 6: CIFI's project- CIFI Pujiang International (旭辉·浦江国际)



Source(s): Soufun

As of Dec 2013, CIFI had 62 projects in 13 cities in China, including Shanghai, Beijing, Tianjin, Shenyang, Langfang, Suzhou, Zhenjiang, Jiaxing, Hefei, Wuhan, Chongqing, and Changsha. The Group has a total landbank of 9.2 mn sqm, with 49%/25%/26% of GFA locating in YRD/ Bohai Rim/ central-western China.

Exhibit 7: CIFI's portfolio in China



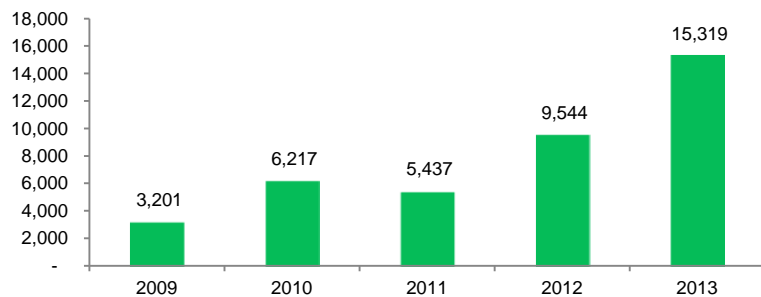
Source(s): Company

Three reasons to BUY CIFI

1. Impressive execution capability

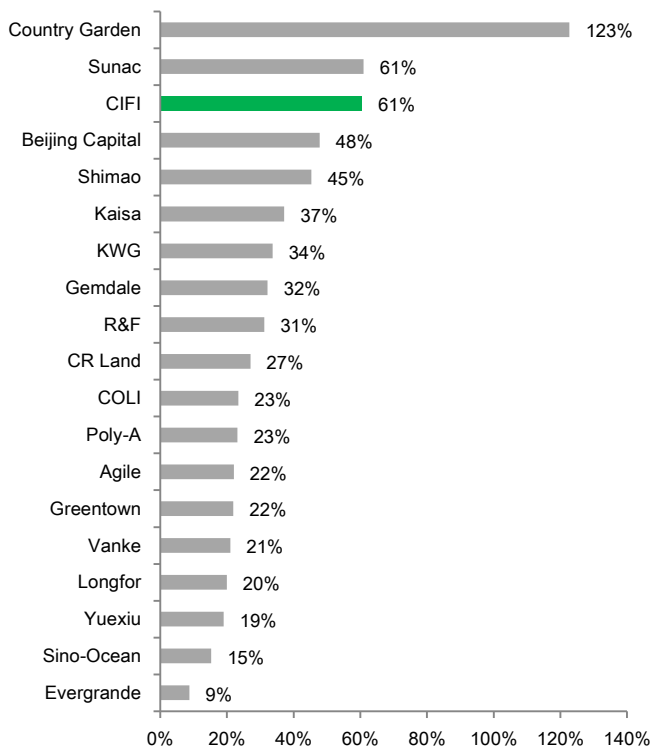
CIFI has demonstrated an impressive presales growth at above 50% since its listing in 2012. Presales went up 76% YoY in 2012 to RMB 9.5bn and 61%YoY in 2013 to RMB 15.3bn. Its also outperformed its peers consistently in presale. Despite a challenging year in 2014 on oversupply concerns in China's housing market, CIFI's 5M14 presales revenue was up 44% YoY compared to the average peer increase of 9% YoY.

Exhibit 8: CIFI's presales (RMB mn)



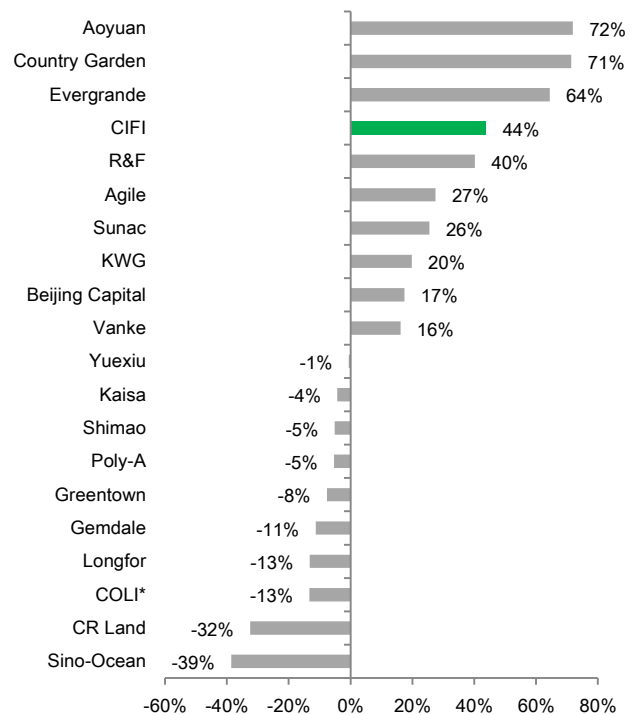
Source(s): Company

Exhibit 9: Presales comparison among China's developers in 2013 (% YoY)



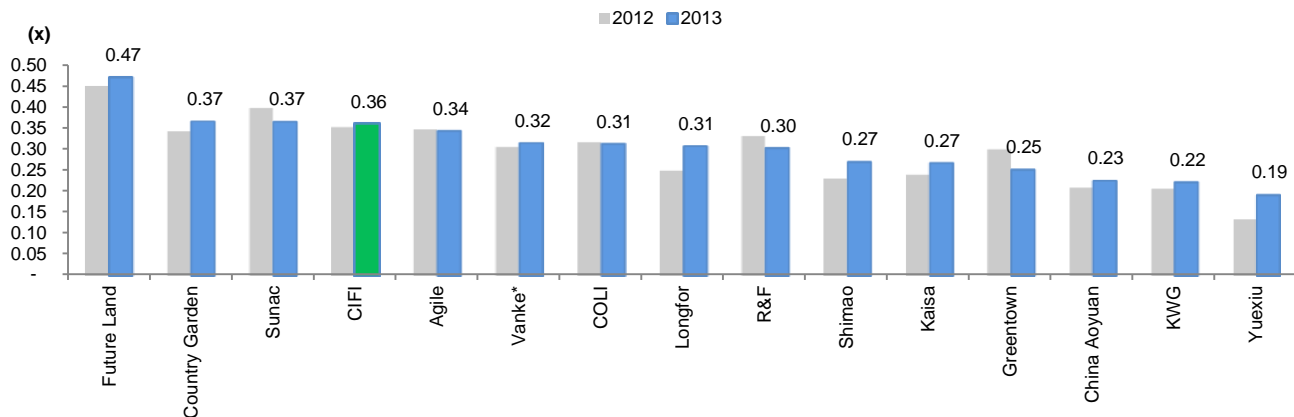
Source(s): Company

Exhibit 10: Presales comparison among China's developers in 5M14 (% YoY)

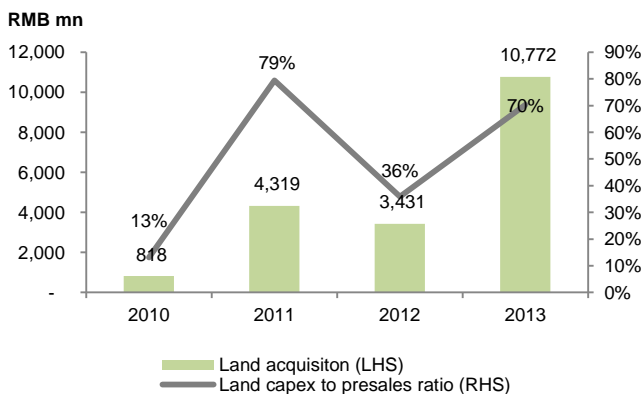


Source(s): Company

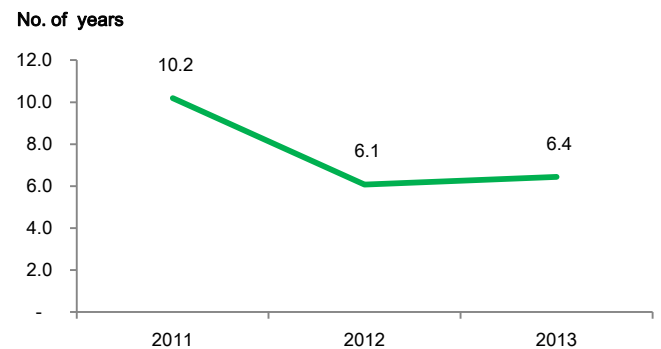
The Group has adopted a high asset turnover model since its listing, as reflected by its above-average asset turnover ratio of 0.36x (vs. peer average of 0.31x) for 2013. Although many small- and mid- cap players claimed to adopt a similar model, very few of them are able to record a presales growth of above 40% YoY in 2013 or 5M14. We believe CIFI's timely land replenishment strategy is its key to success and this would help the Group to grow further in the future. CIFI reinvests significant amount of its cash revenue from presales to the land market during 2011-13. Land capex-to-presale ratios were in the range of 36%-79% in the past 3 year, which were higher than the industry average of 20%-30%. Despite the total attributable land spending reached ~ RMB18.5bn in the past few years, its landbank life actually fell from 10.2 years in 2011 to ~6 years in 2012-13, showing little or no inventory build-up. This would ensure the Group to outperform industry peers. In 2014, CIFI sets a full year sales target of RMB 22bn, implying a growth rate of ~43% YoY.

Exhibit 11: Comparison of asset turnover ratio among PRC developers in 2013


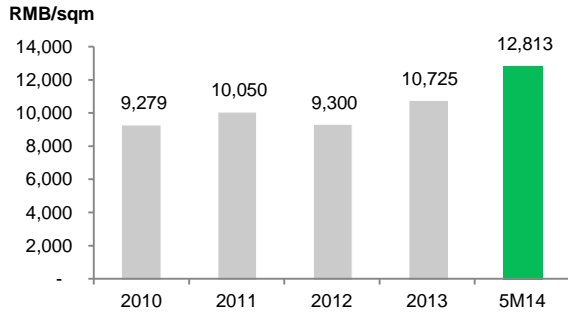
Source(s): Company

Exhibit 12: CIFI's land acquisition-to-presale ratio (%) and attributable land acquisition cost (RMB mn)


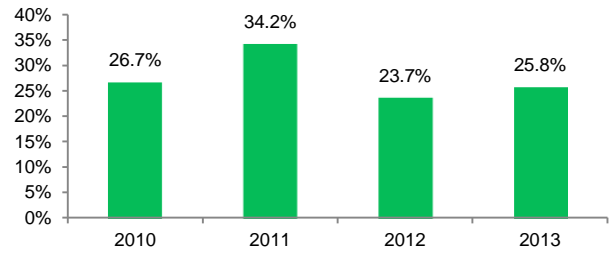
Source(s): Company

Exhibit 13: CIFI's landbank life

 * Total landbank/ GFA sold
 Source(s): Company

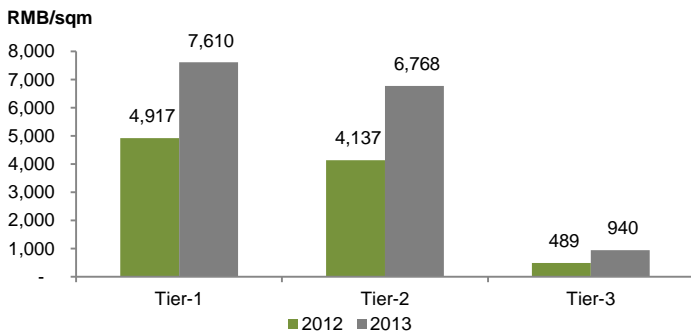
Despite CIFI's impressive presales record, the Group's gross margin of 25.8% was lower than peer average of 32.5% in 2013. CIFI's gross margin, however, rebounded from the trough of 23.7% in 2012 to 25.8% in 2013. We believe CIFI's gross margin would increase steadily on rising ASP (5M14 ASP: RMB 12.8k/sqm, 29% higher than 2013), driven by its increased exposure to first tier cities in Shanghai and Beijing with higher housing demand. The two cities jointly accounted for 50% of the Group's presales in 2013.

Exhibit 14: CIFI's presales ASP trend in 2010-5M14


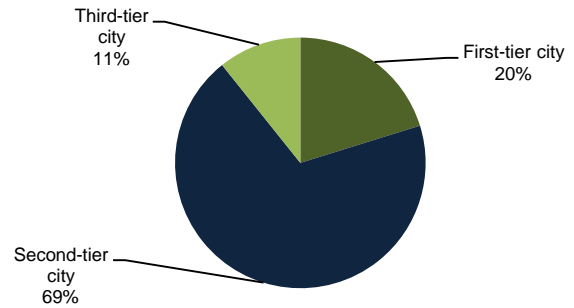
Source(s): Company

Exhibit 15: CIFI's gross margin trend in 2010-13


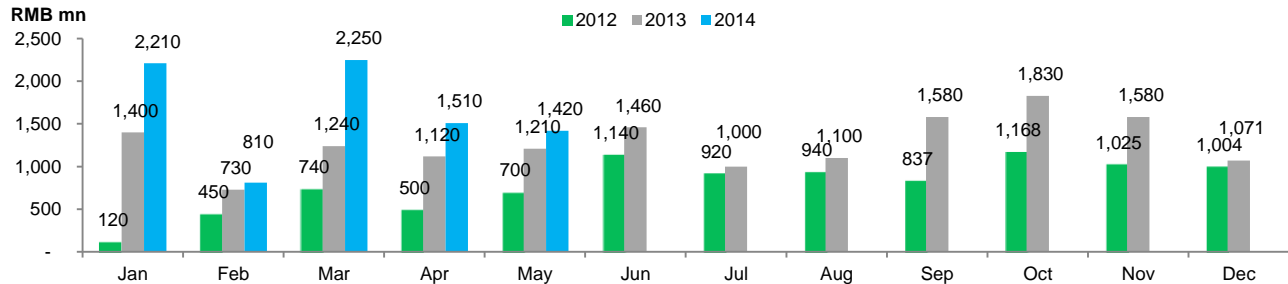
Source(s): Company

Exhibit 16: CIFI's presales in cities by tier (RMB mn)


Source(s): Company

Exhibit 17: CIFI's landbank in cities by tier as at Dec 2013 (Attributable GFA: 7.6mn sqm)


Source(s): Company

Exhibit 18: CIFI's monthly presales in 2012-14 (RMB mn)


Source(s): Company

Exhibit 19: Implied growth rate of 2014 sales target


Source(s): Company



2. Solid JV partners

In 2013, CIFI introduced two major JV partners, Henderson (12 HK) and Greenland (not listed), in various projects in Shanghai, Hangzhou, and Hefei. Apart from reducing project risk (especially for projects with high land premium of RMB 2bn or above), the partnership with these two renowned developers would enhance the projects' brand value and financing channels. CIFI's JV projects in YRD area would achieve higher ASP and margins by teaming up with Greenland, who ranked first in presale in Shanghai and second in China. Cooperating with Henderson Land, a major developer in Hong Kong would also help CIFI to establish better offshore financing channel. Citing the case of Greentown (3900HK), the Group was able to obtain a syndicated loan at an attractive rate of LIBOR+2% with the guarantee of Wharf from Hong Kong for their JV project in Dalian. Similarly, we believe it is entirely possible for CIFI to secure such an attractive loan rate cooperating with its reputable HK partner Henderson.

Exhibit 20: JV projects acquired in 2013

Project	Land cost (RMB mn)	GFA ('000 sqm)	AV (RMB/sqm)	Stake (%)	
				CIFI	JV partner
<u>Henderson Land</u>					
Shanghai Hongqiao Central Business District	2,144	167	12,819	50%	50%
Hangzhou Henderson CIFI Palace (Yuhang District)	763	217	3,521	49%	51%
<u>Greenland</u>					
Hangzhou Greenland CIFI Glorious City (Binjiang District)	3,565	282	12,655	50%	50%
Shanghai Huacao Project	182	30	6,150	50%	50%
Hefei Baohe Residential Project	462	204	2,265	33%	67%

Source(s): Company

Following the HK\$ 390mn new share placement to RRJ Capital, a private equity firm in Oct 2013, there was unconfirmed news reporting that chairman of Henderson Land might have acquired 4% of CIFI's new shares. After the recent, high-profiled acquisition of Greentown by its JV partner Sunac, in which the deal was priced at a 47% premium, we expect market consolidation would heat up in China's property sector going forward. With a good sales record and close relationship with its JV partners, CIFI's valuation could improve from its current level on the Group's potential to be another acquisition target.

Exhibit 21: Sunac's investment in Greentown (May 2014)

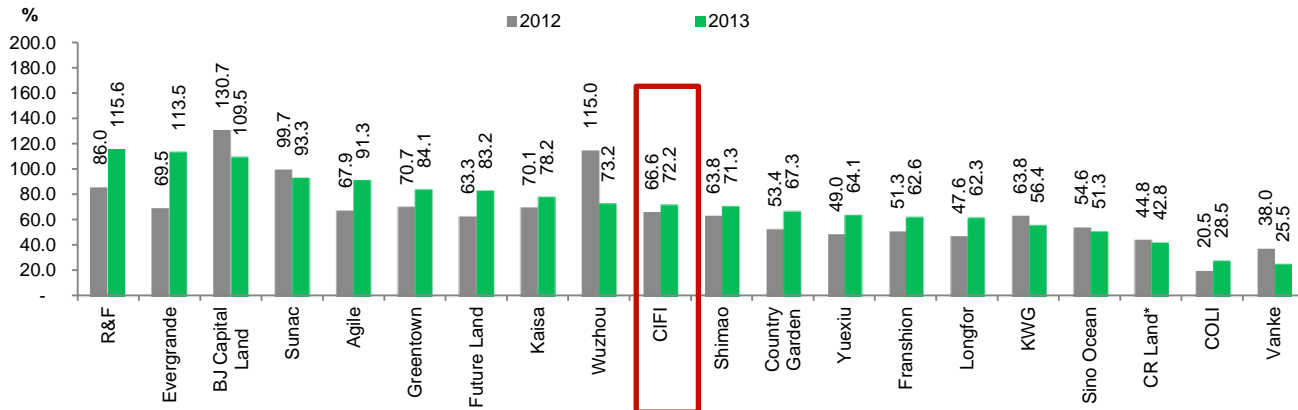
Number of shares purchased (mn)	525
<i>As % of total shares (%)</i>	24.31%
Acquisition price (HK\$)	12.00
<i>closing price previous day (HK\$)</i>	8.15
<i>Premium to last close (%)</i>	47%
Total amount (HK\$ mn)	6,298

Source(s): Sunac

3. Improving funding cost

CIFI also differentiates itself with other high-growth small- and mid- cap players by its strong balance sheet. CIFI's 2013 net gearing of 72.2% was lower than other developers utilizing a high asset turnover model such as Sunac (93.3%), Kaisa (78.2%), and Future Land (83.2%).

Exhibit 22: CIFI's net gearing comparison among developers (%)



Source(s): Company

Its lower-than-peer net gearing also help CIFI to secure low-cost debt funding. Its effective interest rate was 10% or less for the past 4 years, while interest rates of the latest USD bond and syndicated loans issued also went down over time. In particular, bond yield of the bonds issued in Jan 2014 has reached 8.99% in June 2014, much lower than the 12.25% of the bonds issued in Apr 2013; the interest rate of its syndicated loan was LIBOR+ 4% in Jan 2014 (for the JV project with Greenland), lower than the loan issued in July 2013 with an interest rate of LIBOR+5.65%.

Exhibit 23: CIFI's effective interest rate in 2010-13



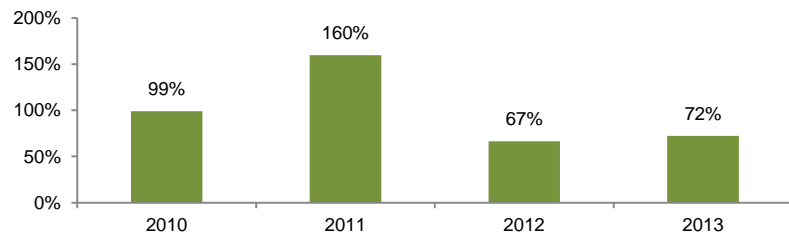
* Calculated by gross interest/ year-end average gross debt balance

Source(s): Company

Exhibit 24: CIFI's offshore fundraising activities

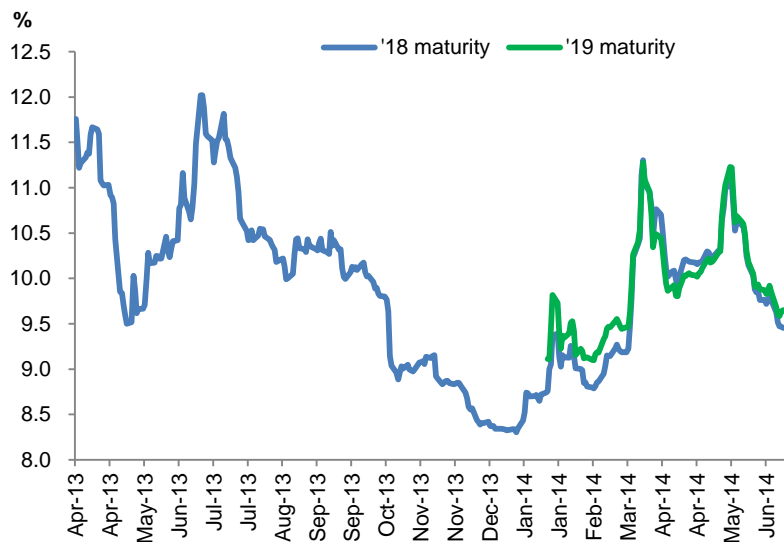
Date	Term	Amount	Interest rate
	Year	USD mn	(%)
USD bond issuance			
Apr-13	5	275	12.25%
Sep-13	5	225	11.11%
Jan-14	5	200	8.99%
Syndicated loans			
Jul-13	3	157	LIBOR+5.65%
Jan-14	3	320	LIBOR+4%

Source(s): Company

Exhibit 25: CIFI's net gearing in 2010-13


Source(s): Company, ABCI Securities

CIFI's bond yield has come down substantially to around 9.5% as of June 2014, demonstrating investors' growing interest in the Group as its net gearing has remained healthy since its listing in 2012.

Exhibit 26: CIFI's bond yield in Apr 13- Jun 14


Source(s): Bloomberg, ABCI Securities

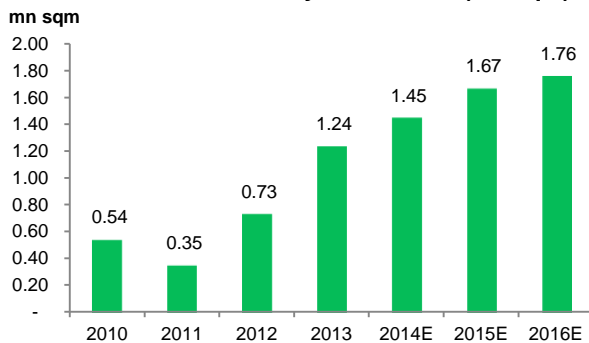


Financial Analysis

Fast core profit growth at 26% CAGR in 2014E-16E

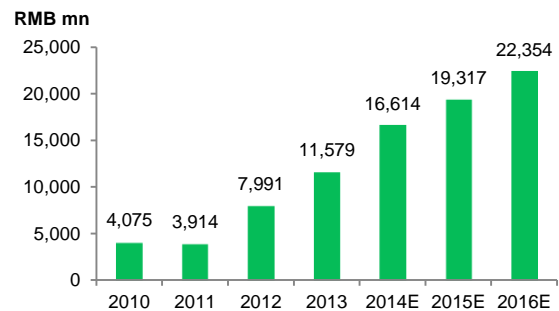
Since the Group expanded its landbank aggressively to grow saleable resources in 2013, we expect its revenue and profit to experience robust growth in the next 3 years. We forecast CIFI's GFA delivery would rise at 10.2% CAGR from 1.45mn sqm in 2014E to 1.76mn sqm in 2016E, while booked sales would increase at 16.0% CAGR from RMB 16.6bn in 2014E to RMB22.4bn in 2016E. As of Dec 2013, CIFI had about RMB 11bn contracted but unrecognized sales, representing 66% of our 2014E revenue forecast.

Exhibit 27: CIFI's GFA delivery in 2010-16E (mn sqm)



Source(s): Company, ABCI Securities estimates

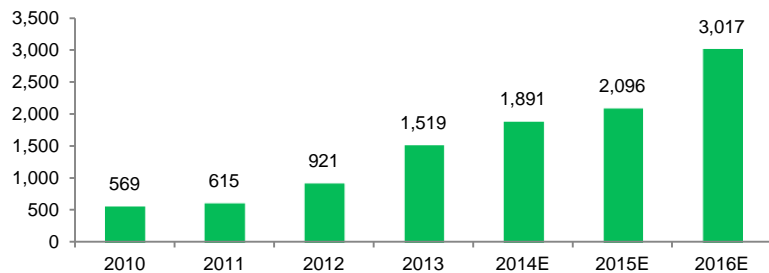
Exhibit 28 : CIFI's booked sales in 2010-16E (RMB mn)



Source(s): Company, ABCI Securities estimates

As both gross and net margins continue to expand on increased exposure in first-tier cities, we forecast core profit would edge up to 24.5% YoY to RMB 1.9bn in 2014E, and rise by 10.8% YoY to RMB 2.1bn in 2015E.

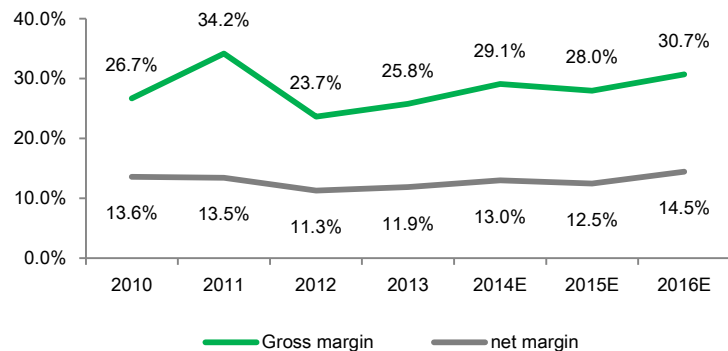
Exhibit 29: CIFI's core net profit in 2010-16E (RMB mn)



* Core net profit is calculated by excluding after-tax revaluation gain and one-off items from reported net profit

Source(s): Company, ABCI Securities estimates

Exhibit 30: CIFI's gross and net margins in 2010-16E



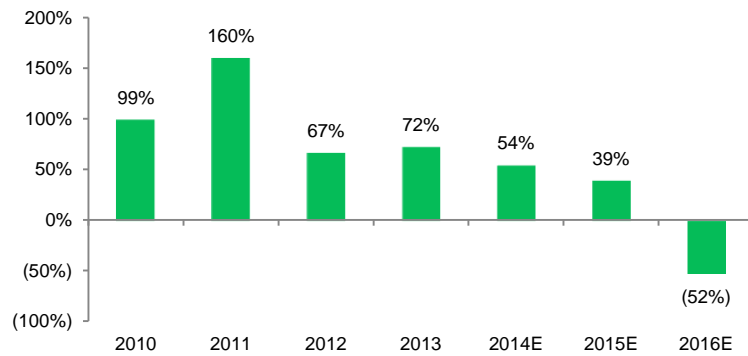
Source(s): Company, ABCI Securities estimates



Gearing to decline on positive operating cashflow

CIFI guided that presales in 2014 would generate a cash inflow of RMB 20bn, which could more than cover a land capex of RMB 4bn, construction cost of RMB 7bn, and tax and other expenses totaling at ~RMB4.8bn. We expect the net cash inflow would drive down its net gearing to 54% in 2014E, compared to 72% in 2013.

Exhibit 31: CIFI's net gearing in 2010-16E



Source(s): Company, ABCI Securities estimates

Exhibit 32: CIFI's cashflow guidance for 2014

<u>Cashflow guidance</u> (RMB mn)	<u>2013A</u>	<u>2014E</u>
Presales	15.3	22.0
Cash collection	90%	91%
Cash inflow	13.8	20.0
Attributable land payments	(8.6)	(4.0)
Construction	(5.6)	(7.0)
Tax	(1.5)	(2.4)
Interest	(1.1)	(1.4)
SG&A	(0.8)	(1.0)
Cash outflow	(17.6)	(15.8)
Net operating cashflow	(3.8)	4.2

Source(s): Company, ABCI Securities estimates



Initiate CIFI with BUY with TP at HK\$1.60

Exhibit 33: CIFI's end- FY14E NAV estimates

	Attr. GFA (M sqm)	Net assets value (RMB mn)	% of total	Valuation Methodology	Implied value per sqm (RMB)
Property development					
Shanghai	1.1	5,225	21%	DCF at WACC of 10.5%	4,964
Suzhou	0.8	1,728	7%		2,115
Hangzhou	0.4	2,311	9%		6,397
Beijing	0.3	2,528	10%		7,548
Tianjin	1.0	2,289	9%		2,245
Chongqing	1.2	2,829	11%		2,436
Others	2.7	7,355	29%		2,753
Subtotal	7.4	24,264	97%		3,271
Property investment & management		875	3%	6.5% cap rate on 2014E net rental income	
Total 2014E GAV		25,139	100%		
2014E Net debt		(5,437)	-22%		
Total 2014E NAV		19,702	78%		
No. of share outstanding (diluted)		6,027			
NAV per share (RMB)		3.27			
Ex rate		1.25			
NAV per share (HKD)		4.09			
Target discount (%)		60%			
Target Price (HKD)		1.60			

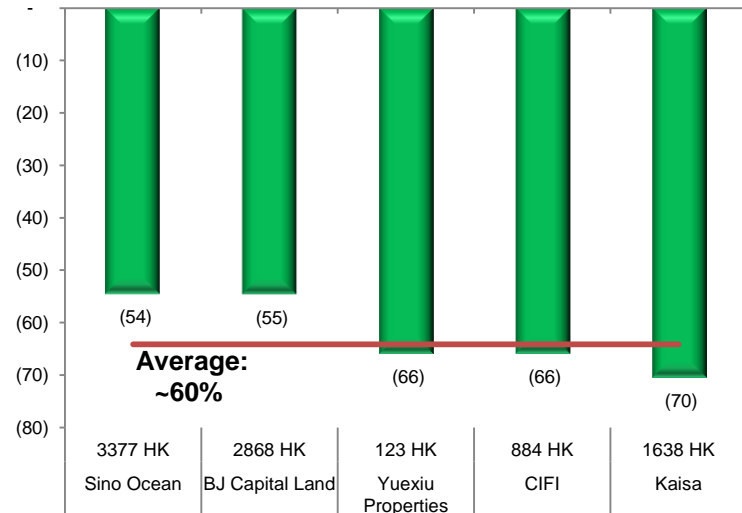
WACC	10.5%
Cost of debt	9.0%
Cost of Equity	15.0%
Debt/ (Debt + Equity)	55%

Source(s): Company, ABCI Securities estimates

We assess the value of CIFI'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 10.5% to gauge the value of individual projects; total value of property development projects arrives at RMB 24.2bn.
- **Investment properties:** We applied a cap rate of 6.5% for 2014E net rental income; total value of investment properties arrives at RMB 875mn.

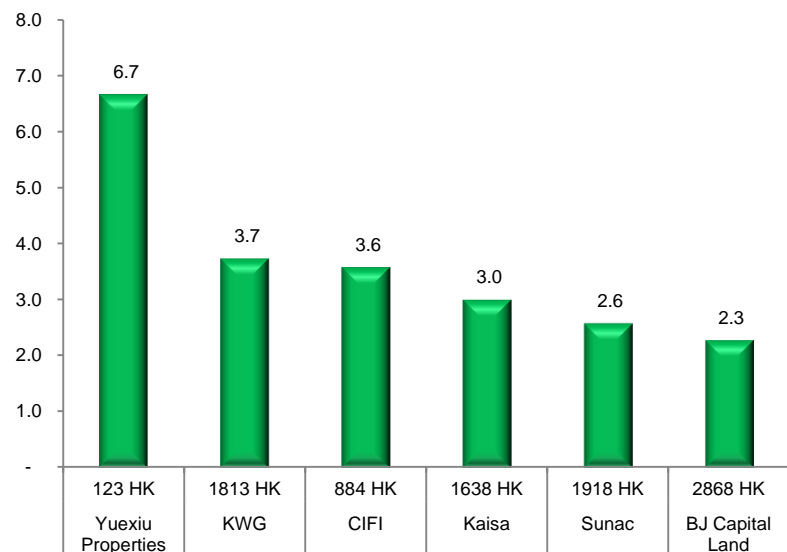
We subtract the gross asset value of RMB 25.1bn by our 2014E net debt estimate (RMB5,437mn) to derive our end-FY14E NAV of RMB 19,702mn (or HK\$4.09/share). To derive the TP of CIFI, we apply a 60% discount (vs. small- and mid- cap average of 68%) to our end-FY14E NAV to arrive at HK\$ 1.60.

Exhibit 34: Average discount to FY14E NAV (%) for small- and mid- cap PRC developers


Source(s): Bloomberg, ABCI Securities estimates

Attractive valuation with strong growth record and prospects

Our TP of HK\$1.60 represents 4.1x FY14E P/E, slightly higher than the average trading valuation of 3.7x FY14E P/E among the small- and mid- cap developers in China. Given impressive presales track record and ability to raise debts at low cost, we believe CIFI deserves a higher valuation than its current one at 3.6x FY14E P/E. Assuming a 25% payout ratio (with reference to the Group's 25%-30% payout on core profit for the past few years), CIFI's FY14E dividend yield would be as high as ~6.2%. Based on the Company's positive outlook and attractive valuation, we decide to initiate CIFI with a BUY rating with TP at HK\$ 1.60.

Exhibit 35: Small- and mid- cap PRC developers' FY14E P/E


Source(s): Bloomberg, ABCI Securities estimates



Exhibit 36: 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	2013		P/E			Yield (%)			P/B			
				(HKD bn)	(local ccy)	% Chg	% Chg	% Chg	(%)	2013A	2014E	2015E	2013A	2014E	2015E	2013A	2014E	2015E	
Residential:																			
1	COLI	688 HK	HOLD	19.50	166	20.30	10	(5)	(4)	(16.74)	8.8	7.1	6.2	2.3	2.8	3.2	1.5	1.3	1.1
2	CR Land	1109 HK	NR		87	14.94	(4)	(20)	(8)	(46.74)	9.4	7.7	6.1	2.9	3.5	4.1	1.0	0.9	0.8
3	Country Garden	2007 HK	NR		59	3.19	(0)	(27)	20	(52.95)	5.6	4.6	3.8	6.6	7.8	9.3	1.1	0.9	0.8
4	Shimao	813 HK	NR		51	14.72	11	(17)	26	(55.21)	5.6	4.6	3.9	6.9	6.6	7.9	1.0	0.8	0.7
5	Longfor	960 HK	NR		54	9.84	10	(7)	(27)	(48.83)	6.9	5.9	5.0	2.9	3.3	3.9	1.2	1.0	0.8
6	Evergrande	3333 HK	NR		54	3.69	9	25	(27)	(47.81)	4.2	4.5	4.1	18.3	7.4	8.1	1.0	0.7	0.6
7	Guangzhou R&F	2777 HK	NR		32	9.81	3	(8)	(7)	(68.31)	4.4	3.9	3.3	7.9	8.4	9.6	0.8	0.7	0.6
8	Sino Ocean	3377 HK	NR		30	4.11	6	(16)	(8)	(54.42)	7.1	6.2	5.5	5.6	6.1	6.8	0.6	0.5	0.5
9	Agile	3383 HK	NR		21	5.77	6	(27)	(20)	(67.18)	3.8	3.6	3.2	8.2	7.9	8.7	0.6	0.5	0.4
10	Greentown	3900 HK	BUY	9.70	17	7.71	(6)	(35)	(12)	(68.28)	3.5	3.0	2.7	6.9	7.8	8.6	0.6	0.5	0.4
11	Sunac	1918 HK	BUY	7.10	14	4.29	14	(2)	(21)	(78.97)	3.2	2.6	2.4	5.5	7.0	7.5	0.8	0.7	0.5
12	Yuexiu Properties	123 HK	NR		14	1.52	1	(19)	(18)	(65.84)	9.1	6.7	5.3	5.4	6.1	7.3	0.5	0.4	0.4
13	COGO	81 HK	NR		12	5.05	5	(31)	(20)	(61.06)	4.1	3.5	2.8	2.2	2.8	3.3	1.0	0.8	0.6
14	KWG	1813 HK	NR		13	4.61	28	16	(23)	(70.03)	4.6	3.7	3.1	7.8	7.7	9.1	0.6	0.5	0.5
15	Kaisa	1638 HK	BUY	4.00	12	2.37	(9)	0	4	(70.38)	4.2	3.0	2.3	7.9	9.4	14.7	0.6	0.5	0.4
16	CIFI	884 HK	BUY	1.60	8	1.40	0	(5)	8	(65.77)	4.5	3.6	3.2	5.0	6.2	6.9	0.8	0.7	0.6
17	BJ Capital Land	2868 HK	NR		5	2.50	(19)	4	(12)	(54.55)	3.6	2.3	2.1	11.0	13.1	13.8	0.5	0.4	0.3
18	Future Land	1030 HK	NR		4	0.69	(9)	(19)	(35)	(86.20)	3.3	2.5	2.1	9.0	10.5	11.4	0.5	0.3	0.3
19	China Aoyuan	3883 HK	BUY	2.40	3	1.17	(16)	(22)	35	(80.58)	3.7	2.1	1.2	8.5	11.9	20.4	0.3	0.3	0.3
HK Listed Avg							2	(11)	(8)	(61.04)	5.2	4.3	3.6	6.9	7.2	8.7	0.8	0.7	0.6
- Large cap (>HKD30b) avg							5	(9)	(4)	(48.08)	6.4	5.5	4.6	6.8	5.7	6.6	1.1	0.9	0.8
- Small-mid cap (<HKD30b) avg							2	(12)	(14)	(67.52)	4.6	3.7	3.2	6.9	7.8	9.1	0.6	0.5	0.5
1	Vanke	000002 CH	NR		116	10.28	6	9	(15)	(33.25)	7.7	4.9	4.1	5.0	4.8	5.9	1.2	1.0	0.8
2	Poly-A	600048 CH	NR		68	10.66	9	(3)	(38)	(38.74)	6.3	4.1	3.4	3.8	4.9	6.2	1.0	0.8	0.7
3	China Merchants Property	000024 CH	NR		33	26.80	(6)	(20)	(30)	(20.55)	8.0	5.0	4.1	3.0	3.3	4.3	1.0	0.9	0.7
4	Gemdale	600383 CH	NR		47	7.20	33	26	(4)	(42.77)	10.4	8.6	7.1	1.0	1.8	1.9	1.3	1.2	1.0
A-share Listed Avg							11	3	(22)	(33.83)	8.1	5.6	4.7	3.2	3.7	4.6	1.1	1.0	0.8
Commercial:																			
1	SOHO China	410 HK	NR		32	6.13	10	(6)	13	(23.38)	5.8	12.0	19.6	5.1	5.1	4.8	0.7	0.6	0.6
2	China South City	1668 HK	BUY	4.50	27	3.92	(1)	78	97	(59.96)	12.0	6.0	4.6	2.6	3.8	5.1	1.4	1.2	1.0
3	Hui Xian REIT	87001 HK	NR		22	3.37	(3)	(10)	(1)	(22.97)	23.8	15.1	13.8	7.3	8.0	8.3	0.6	0.6	0.6
4	Franshion	817 HK	BUY	3.30	20	2.18	(9)	(16)	(1)	(55.03)	7.3	5.4	3.9	4.4	5.5	7.3	0.7	0.6	0.6
5	Shui On Land	272 HK	NR		16	2.01	9	(14)	(30)	(43.78)	10.9	11.5	9.3	3.1	4.0	3.8	0.4	0.3	0.3
6	Hydoo	1396 HK	BUY	4.30	12	2.90	(12)	40	na	(54.55)	5.3	4.1	3.4	6.6	8.5	10.4	1.7	1.6	1.2
7	Yuexiu REIT	405 HK	NR		10	3.69	(3)	1	9	na	43.1	29.9	24.7	7.3	7.6	8.1	0.6	0.7	0.7
8	Zall	2098 HK	NR		10	2.73	7	(0)	(10)	na	27.7	na	na	0.0	na	na	1.2	na	na
9	Wuzhou	1369 HK	NR		7	1.60	21	27	31	na	17.0	8.7	6.0	2.2	2.9	4.6	2.4	na	na
Commercial Avg							2	11	14	(43.28)	17.0	11.6	10.7	4.3	5.7	6.6	1.1	0.8	0.7
- Developers							2	11	20	(45.54)	12.3	8.0	7.8	3.4	5.0	6.0	1.2	0.9	0.7
- Landlords/REIT							(7)	15	(1)	(38.76)	33.5	22.5	19.3	7.3	7.8	8.2	0.6	0.7	0.7

* Share price as at Jun 16, 2014

Source(s): Bloomberg, ABCI Securities estimates



Risk factors

- **Overpaying for land may expand presale scale but erode margins.** CIFI's above-average growth in presales relies on its active landbanking. Significant premium can incur when competition in the land market heats up. Acquiring land at such high costs could pressure margins later on. CIFI's shift to first-tier cities with higher ASP, however, would help buffer against such impact.
- **Oversupply in tier 2/3 cities where 80% of its land bank is located.** Despite increasing its focus in top-tier cities, CIFI still has 80% of its land bank in lower-tier cities that are currently pressured by oversupply and fierce price competition.
- **Tightening liquidity may affect financing.** Recent bankruptcies of several small, local developers have raised liquidity concerns in China's property sector. Nonetheless, CIFI's well established offshore fundraising channel should help reduce the impact of tightening credit in China. Trust financing only accounts of 18% of CIFI's debts. We believe its refinancing risk would be manageable.
- **Low daily turnover.** The stock has an average daily turnover of HK\$ 4.8mn for the past 3 months only. Upon market downturn, investors may find it difficult to unwind their positions to cash out.



Consolidated income statement (2012A-2016E)

FY Ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Revenue	8,144	11,909	16,972	19,693	22,752
Cost of sales	(6,218)	(8,841)	(12,034)	(14,179)	(15,765)
Gross Profit	1,926	3,069	4,937	5,514	6,987
SG&A expenses	(549)	(822)	(995)	(1,086)	(1,207)
EBIT	1,377	2,246	3,942	4,428	5,780
Finance cost	(43)	(188)	(115)	(105)	(121)
Share of profit of associates	-	(14)	129	267	282
Other income/ (expenses)	40	75	69	82	165
Fair value gain of investment properties	-	-	-	-	-
Disposal/one-off items	1,466	857	-	-	-
Profit before tax	2,840	2,975	4,025	4,672	6,106
Tax	(819)	(934)	(1,690)	(1,945)	(2,532)
Profit after tax	2,021	2,041	2,336	2,727	3,574
Minority interest	(84)	(147)	(444)	(631)	(557)
Reported net profit	1,937	1,894	1,891	2,096	3,017
Less: exceptional items	(1,016)	(375)	-	-	-
Underlying net profit	921	1,519	1,891	2,096	3,017
Per share					
Underlying EPS (RMB)	0.16	0.25	0.31	0.35	0.50
DPS (RMB)	0.04	0.07	0.09	0.10	0.14
Payout ratio (%)	25%	28%	28%	28%	28%
BVPS (RMB)	1.14	1.43	1.66	1.91	2.27
Growth %					
Revenue	103.2%	46.2%	42.5%	16.0%	15.5%
Gross Profit	40.6%	59.3%	60.9%	11.7%	26.7%
EBIT	38.2%	63.2%	75.5%	12.3%	30.5%
Underlying net profit	49.7%	64.9%	24.5%	10.8%	44.0%
Margin %					
Gross margin	23.7%	25.8%	29.1%	28.0%	30.7%
Gross margin (post-LAT)	22.0%	23.7%	24.0%	22.9%	25.0%
EBIT margin	16.9%	18.9%	23.2%	22.5%	25.4%
Core net margin	11.3%	11.9%	13.0%	12.5%	14.5%
Key assumptions					
Contracted Sales (RMB mn)	9,544	15,319	21,908	24,274	27,970
GFA sold (mn sqm)	1.03	1.43	1.95	2.01	2.11
ASP (RMB/sqm)	9,300	10,725	11,229	12,086	13,276
Booked Sales (RMB mn)	7,991	11,579	16,614	19,317	22,354
GFA delivered (mn sqm)	0.73	1.24	1.45	1.67	1.76
Booked ASP (RMB/sqm)	10,877	9,346	11,465	11,574	12,708

Source: Company, ABCI Securities estimates



Consolidated balance sheet (2012A-2016E)

As of Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
Current assets	22,570	29,829	34,902	39,501	45,616
Cash	4,591	7,061	6,617	9,589	23,213
Restricted cash	-	100	100	100	100
Trade & other receivables	1,396	3,370	3,370	3,370	3,370
Property under development	15,809	16,996	22,512	24,140	16,631
Other current assets	774	2,302	2,302	2,302	2,302
Non-current assets	4,286	9,277	9,610	9,970	10,333
Property, plant & equipment	106	47	54	61	68
Investment properties	3,956	4,650	4,650	4,650	4,650
Investment in Associate and JCE	-	4,299	4,625	4,978	5,334
Other non-current assets	225	281	281	281	281
Total Assets	26,857	39,106	44,511	49,471	55,949
Current Liabilities	13,580	18,632	22,277	25,142	28,934
Short term borrowings	3,372	3,017	5,017	7,017	9,017
Trade & other payables	2,982	6,330	6,330	6,330	6,330
Pre-sales deposits	6,202	8,068	9,713	10,578	12,370
Other current assets	1,024	1,218	1,218	1,218	1,218
Non-current liabilities	6,336	11,318	11,318	11,318	11,318
Long term borrowings	5,578	7,219	7,219	7,219	7,219
Other payables	-	-	-	-	-
Other non-current assets	757	4,099	4,099	4,099	4,099
Total Liabilities	19,916	29,951	33,596	36,461	40,253
Net Assets	6,941	9,155	10,916	13,010	15,696
Shareholders Equity	6,550	8,611	9,977	11,491	13,670
Minority Interest	391	544	939	1,520	2,027
Total Equity	6,941	9,155	10,916	13,010	15,696
Key ratio					
Gross debt (RMB mn)	8,950	10,236	12,236	14,236	16,236
Net debt (RMB mn)	4,360	3,075	5,519	4,547	(7,077)
Net gearing (%)	67%	36%	55%	40%	-52%
Contracted sales/ Total assets (x)	36%	39%	49%	49%	50%

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2012A-2016E)

FY ended Dec 31 (RMB mn)	2012A	2013A	2014E	2015E	2016E
EBITDA	1,390	2,259	3,955	4,442	5,793
Change in Working Capital	(383)	1,545	(2,838)	184	10,393
Tax payment	(400)	(817)	(1,690)	(1,945)	(2,532)
Operating Cashflow	607	2,988	(572)	2,681	13,654
Purchase of PP&E	(13)	(17)	(20)	(20)	(20)
Addition of Investment Properties	(28)	35	-	-	-
Others	(110)	(4,233)	(128)	(5)	91
Investing Cashflow	(150)	(4,214)	(148)	(25)	71
Debt raised	6,081	11,288	10,000	10,000	10,000
Debt repaid	(4,967)	(6,825)	(8,000)	(8,000)	(8,000)
Interest expenses	(704)	(1,065)	(1,149)	(1,052)	(1,212)
Equity raised	1,352	308	-	-	-
Dividend to shareholders	-	(185)	(525)	(582)	(838)
Others	(202)	175	(50)	(50)	(50)
Financing Cashflow	1,560	3,696	276	316	(100)
Net cash inflow/ (outflow)	2,017	2,470	(444)	2,972	13,624
Cash- beginning	7,762	4,591	7,061	6,617	9,589
Cash- year-end	9,779	7,061	6,617	9,589	23,213

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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