Rating Announcement 29th November 2017

CIFI Holdings (Group) Co. Ltd.

Hong Kong

Category:	Corporate rating
Rating type:	Solicited rating
Industry:	Property Development
Long-term Credit Rating:	A_g+
Rating Outlook:	Stable

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China Chengxin (Asia Pacific) Credit Ratings affirms the A_g+ rating of CIFI Holdings (Group) Co. Ltd., with stable outlook

Hong Kong, 29th November 2017 -- China Chengxin (Asia Pacific) Credit Ratings announces that the A_g+ rating of CIFI Holdings (Group) Co. Ltd. ("CIFI" or the "Company") is unaffected by its 2017H1 results, outlook stable. CIFI's rating reflects its sound business performance with strong sales execution and prudent land acquisition strategy. It also reflects the introduction of Ping An Life Insurance Co., Ltd. ("Ping An Life") as a strategic shareholders in July 2017.

CIFI (Stock Code: 0884.HK) was established in 2000 and indirectly owned by Mr. Lin Zhong by 50.46% of the Company shares in mid-2017. The Company is one of the leading property developers in Yangtze River Delta primarily engaging in property development, investment, and management.

CIFI demonstrates a strong growth in contracted sales. In 2017H1, the Company recorded contracted sales of RMB 47.2 billion and contracted GFA of 2.6 million sqm, increased by 70.9% and 71.7% YoY, respectively. As a result of the accelerating sales growth, the Company increased its sales target by 23.1% from 65.0 billion to 80.0 billion, of which nearly 60% of the new target has been achieved in 2017H1. The average contracted selling price slightly increased to approximately RMB 18,400 per sqm in 2017H1. With sufficient quality saleable resources of over RMB 120.0 billion in 2017, we expected that the Company will achieve the new whole year target.

In 2017H1, CIFI acquired lands across the nation through M&A and public auction with strict investment principles. The Company acquired 32 projects in mainland China and Hong Kong with aggregated attributable GFA of 2.1 million sqm and cost of RMB 20.8 billion. As of 30 June 2017, the Company had a total land bank of 22.1 million sqm in the 4 metropolitan areas, namely Yangtze

River Delta, Pan Bohai Rim, Central Western Region, and South China, which accounted for 46%, 16%, 32%, 6% of the total land bank respectively.

CIFI registered an improved profitability. Total revenue and net profit increased by 28.5% YoY and 148.5% YoY to RMB 11.2 billion and RMB 2.6 billion, respectively. The recognized gross profit margin was 31.6% in 2017H1 in comparison with 27.1% in 2016H1 driven by higher profitability for product delivered and defensive land costs. We estimate that the whole year gross profit margin of the company will improve and stay at around 25% as a result of a greater portion of high-margin premium products sold in last twelve months.

CIFI's credit metrics remained resilient while debt leverage remained manageable. The adjusted debt-to-capital ratio remained stable at 63.0%, and the adjusted net debt-to-equity ratio rose from 50.4% at end-2016 to 59.3% at mid-2017. With accelerating land acquisitions, the Company's total debt amounted to RMB 39.6 billion as of 30 June 2017, increased by RMB 10.2 billion as compared with that of end-2016. Driven by recent strong sales, the adjusted EBITDA interest coverage increased from 2.0x in 2016 to 2.3x in LTM 2017H1. In addition, the Company held a relatively strong liquidity position and reported cash reserves of RMB 25.8 billion, covering 4.0x of its short-term debt.

In mid-2017, the CIFI's average finance cost dropped 50 bps to 5.0% as a result of diversified debt structure constituted by offshore bank loans, offshore senior notes, onshore corporate bonds and onshore bank loans, accounted for 39%, 11%, 25% and 25%, respectively. Among its indebtedness, 50.4% of them denominated in USD or HKD, of which 69% has been hedged by the Company. We believed that the foreign currency risk of the Company was limited. Unsecured debt was consisted of 68% of total debt, which retained a buffer for further debt rising.

Moreover, the introduction of Ping An Life into CIFI as a strategic shareholder in July 2017 further helped strengthen the credit metric and improve the debt leverage. Ping An Life had entered a subscription agreement and a top-up subscription for the issuance of 545 million new shares with gross proceeds of HKD 1.9 billion. The transaction was completed on 10 August 2017, and Ping An Life held approximately 9.9% of CIFI's shares after the transaction.

Appendix. CCXAP's Credit Rating Symbols and their Meaning

China Chengxin (Asia Pacific) Credit Ratings Company Limited uses simple, consistent, and comparable rating symbols expressed in letters to represent the credit worthiness of rated entities and rated debt issues.

A. Long-Term Credit Ratings

A long-term credit rating refers to a rating for a period of more than 12 months.

Rating Symbol	Definition
AAAg	Capacity to meet commitments on short-term and long-term debts is extremely strong. Business is operated in a virtuous circle. The foreseeable uncertainty on business operations is minimal.
AAg+ **AAg** **AAg-**	Capacity to meet short-term and long-term financial commitments is very strong. Business is operated in a virtuous circle. Foreseeable uncertainty in business operations is relatively low.
Ag+ **Ag** **Ag-**	Capacity to meet short-term and long-term commitments is strong. Business is operated in a virtuous circle. Business operation and development may be affected by internal uncertain factors, which may create fluctuations in profitability and solvency of the issuer.
BBBg+ **BBBg** **BBBg-**	Capacity to meet financial commitment is considered adequate and capacity to meet short-term and long-term commitments is satisfactory. Business is operated in a virtuous circle. Business is affected by internal and external uncertainties. Profitability and solvency may experience significant fluctuation. Principal and interest may not be sufficiently protected by the terms of agreement.
BBg+ **BBg** **BBg-**	Capacity to meet short-term and long-term financial commitment is relatively weak. Financial commitment towards short-term and long-term debts is below average. Status of business operations and development is not good. Solvency is unstable and subject to sustainable risk.
Bg+ **Bg** **Bg-**	Financial commitment towards short-term and long-term debts is bad. Business is affected by internal and external uncertain factors. There are difficulties in business operations. Solvency is uncertain and subject to high credit risk.
CCCg	Financial commitment towards short-term and long-term debts is very bad. Business is affected by internal and external uncertain factors. There are difficulties in business operations. Poor solvency with very high credit risk.
CCg	Financial commitment towards short-term and long-term debts is extremely bad. Business operations are poor. There are very limited positive internal and external factors to support business operation and development. Extremely high credit risk is found.
Cg	Financial commitment towards short-term and long-term debts is insolvent. Business falls into a vicious circle. Very limited positive internal and external factors are found to support business operations and development in positive cycle. Extremely high credit risk is seen and is near default.
Dg	Unable to meet financial commitments. Default is confirmed.

B. Long-term Credit Rating Outlook

A rating outlook is the medium- and long-term trend of the credit rating of a rated entity. In formulating a rating outlook, CCXAP considers the potential change in economic and commercial factors from a medium- and long-term perspective for a period of 12 to 18 months.

Positive	Indicates a rating with an ascending trend
Negative	Indicates a rating with a descending trend
Stable	Indicates the rating is likely to be stable

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