



建业地产股份有限公司
Central China Real Estate Limited

2022 Interim Results Announcement

September 2022



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Company Representatives



Mr. Wu Po Sum
Chairman



Mr. Yang Ming Yao
Chief Executive Officer



Mr. Michael Zhao
Chief Financial Officer



Mr. Vinh Mai
**Head of Investor Relations
& Chief Investment Officer**

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Overview

2022 First Half Key Financial and Operating Data

1. Key Financial Data

- Revenue decreased by 64.1% to RMB7,301 mn
- Total recognized GFA amounted to 1.01 mn sq.m., down 62.1%
- Recognized ASP (excl. carpark) decreased by 6.8% to RMB6,535 per sq.m.
- Gross profit at RMB554 mn, achieved gross profit margin of 7.6%
- Net loss of RMB5,941 mn, net loss attributable to equity shareholders was RMB5,605 mn

2. Key Operating Data

- Contracted sales decreased by 54.8% to RMB14.0 bn
- Contracted sales GFA amounted to 1.9 mn sq.m., down 52.7%
- Contracted sales ASP was RMB7,332 /sq.m., down 4.3%
- CCRE market share in Henan reached 4.0%, Jianye Group (including asset-light) market share amounted to 7.2%, continued to rank first in Henan

Analysis on Net Loss

Net loss in 1H22 was mainly due to non-operating losses, including inventory write-down and decrease in fair value of investment properties

Reasons for net loss in 1H22:

1. Non-operating losses of RMB4.1 bn

- a) Inventory write-down of RMB1.7 bn: In view of the market situation and price discount, inventory write-down amounted to around RMB1.7 bn
- b) Decrease of RMB1.5bn in fair value of investment properties: Operating model of some commercial projects has been changed, the corresponding fair value decreased by RMB 1.5 bn
- c) Other non-operating losses of RMB890 mn: M&A loss of RMB470 mn, impairment loss on receivables of RMB330 mn, FX loss RMB90 mn

2. Decline in sales, revenue recognition and gross profit margin

- a) Due to industry downturn and the impact of the epidemic, recognized GFA in 1H22 decreased by 62% to 1.65 mn sq.m..
- b) Decrease of 10.3 p.p. in gross profit margin: The real estate industry was affected by market downturn, most real estate companies adopted price promotion to stimulate sell-through, affecting the gross profit margin. CCRE took sales discounts in the short term, thus impacted the Company's profitability in 1H22

As at 30 June 2022, the Company had unbooked revenue of RMB71.7 bn (incl. JCE), with a corresponding gross profit of RMB7.9 bn, which is expected to be recognized within the next three years

Key Achievements in 1H2022

1. Staying Creditworthy

- In the past 30 years, the Company has adhered to the corporate culture of "keeping promises, being responsible, taking the right path, doing the right thing, and willing to suffer losses". The company strived to keep promises by maintaining records of zero default on loans from financial institutions
- **Repaid USD400 mn in November 2021 and USD500 mn in August 2022 respectively on time**

2. Introduction of SOE Shareholder to Foster Future Development

- Strategic cooperation Henan Railway Construction and Investment Group: On 21 July 2022, Henan Tongsheng Zhiye, the property development subsidiary of Henan Railway, acquired 885 mn shares of CCRE at HK\$0.7325 per share, representing 29.01% of the company's issued shares

3. Monetization of Holding Assets

- Continued to retrieve cash through asset monetization: Cooperated with Wanda Commercial on the management rights of commercial projects such as Jianye Triumph Plaza; and cooperated with Henan Cultural Tourism Investment Group on Movie Town and Unique in Henan cultural tourism projects

4. Resumption of Construction to Ensure Delivery

- Resolutely implemented Political Bureau's call to "ensure delivery and stability", and delivered a total of 11,457 units in 1H22, of which 2,106 units in 8 projects were delivered early

Key Achievements in 1H2022 (cont'd)

5. Cost Reduction to Enhance Efficiency

- Through measures such as optimization of design and procurement plans, standardization in construction, optimization of technology, and review of project pre-settlement, the level cost management has been refined, and significant results have been achieved in reducing costs and increasing efficiency, with G&A expenses decreased by 22.0%

6. Destocking

- Assessed existing inventory to identify the special responsible person and formulate dedicated plans for destocking. Refined sales strategy for different types of inventory with special 30th anniversary campaign, and inventories continued to decrease in 1H22, with completed properties held for sales down 22.2%

7. Persevering with Three Key Mottos: Word of Mouth, Craftsmanship, Diligence

- Word of mouth: Jianye's brand equity has brought a high premium to the company. In the future, Jianye will continue to serve the brand well
- Craftsmanship: The company will continue to uphold the spirit of craftsmanship, control product quality, and deliver products with high quality
- Diligence: The team fully adheres to the fighting spirit and overcomes various difficulties to ensure that all work is carried out in an orderly manner

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Financial Highlights

- Revenue decreased by 64.1% RMB7.3 bn, primarily due to the decrease in recognized GFA
- Gross profit decreased by 84.8% to RMB554 mn, achieved gross profit margin of 7.6
- Net loss of RMB5.9 bn, loss attributable to equity shareholders at RMB5.6 bn

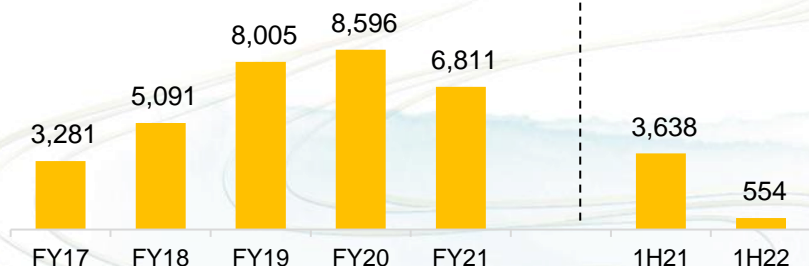
| | 1H2022 | 1H2021 | Change |
|--|-----------------|--------|-----------|
| Revenue (RMB mn) | 7,301 | 20,357 | -64.1% |
| Gross profit (RMB mn) | 554 | 3,638 | -84.8% |
| Gross profit margin | 7.6% | 17.9% | -10.3p.p. |
| Net profit/(loss) (RMB mn) | (5,941) | 1,025 | n/a |
| Net profit/(loss) attributable to equity shareholders (RMB mn) | (5,605) | 729 | n/a |
| Basic earnings/(loss) per share (RMB cents) | (195.07) | 25.63 | n/a |
| Diluted earnings/(loss) per share (RMB cents) | (195.07) | 25.54 | n/a |

Financial Highlights (cont'd)

➤ Track record of financial performance

Gross Profit

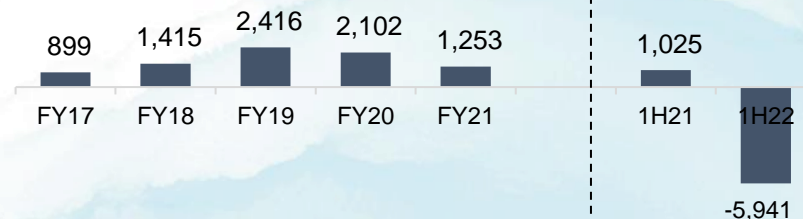
RMB mn



Net Profit/Loss

RMB mn

2017-2021 CAGR 8.6%

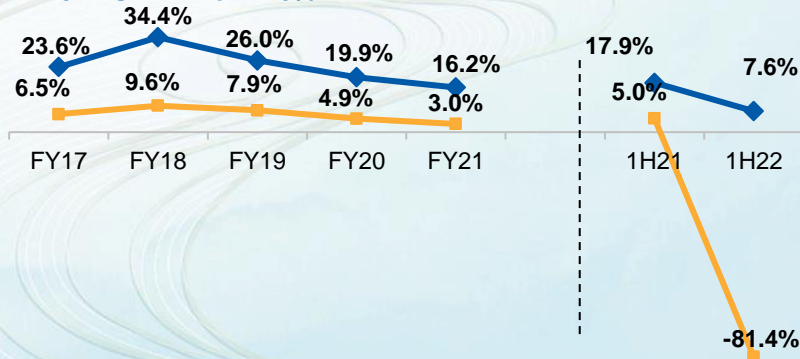


Gross Profit Margin & Net Profit Margin

Percentage

2017-2021 GPM Ave. 24.0%

2017-2021 NPM Ave. 6.4%

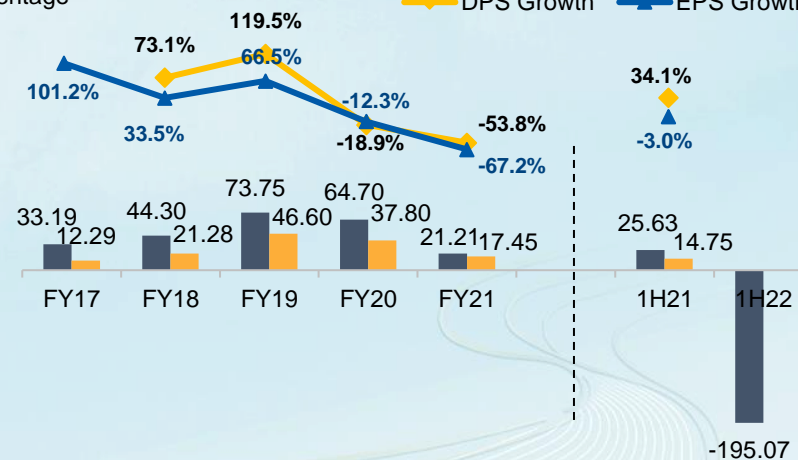


◆ Gross Profit Margin ◆ Net Profit Margin

Dividend per Share & Earnings/Loss per Share

Percentage

◆ DPS Growth ◆ EPS Growth

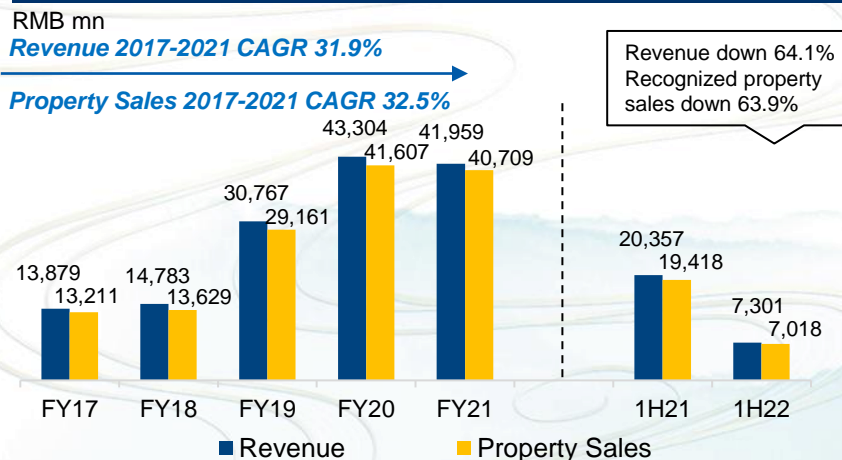


■ EPS (RMB cents) ■ DPS (HK cents)

Recognized Sales and GFA Sold

- In 1H2022, revenue and recognized property sales decreased as a result of the decrease in recognized GFA and ASP

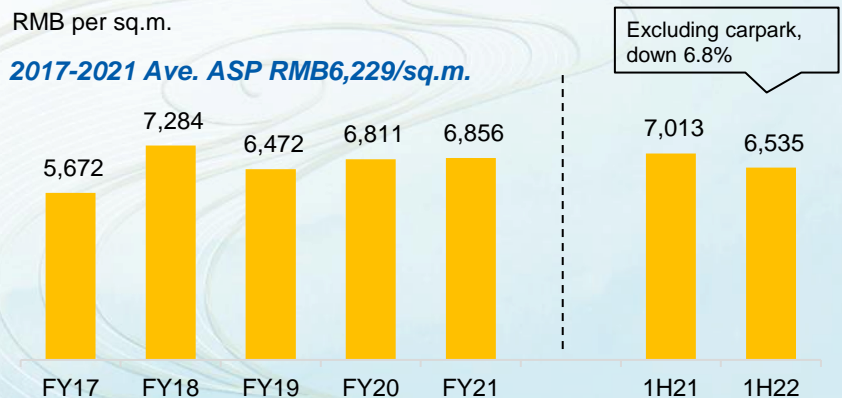
Revenue and Property Sales



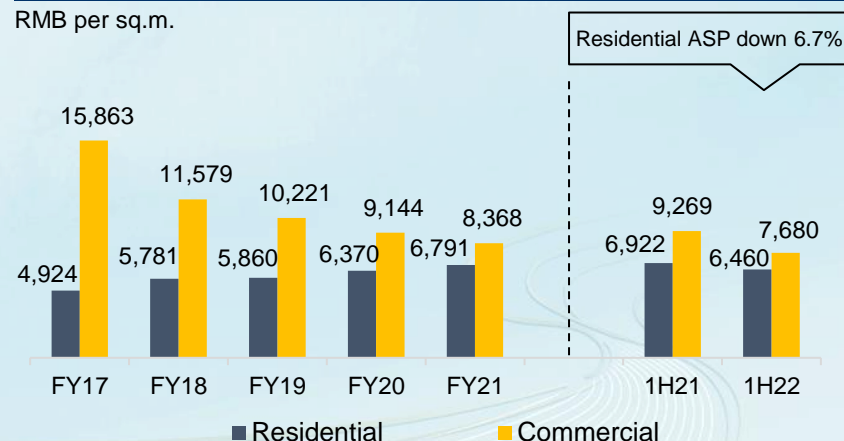
Recognized GFA



Recognized Average Selling Price



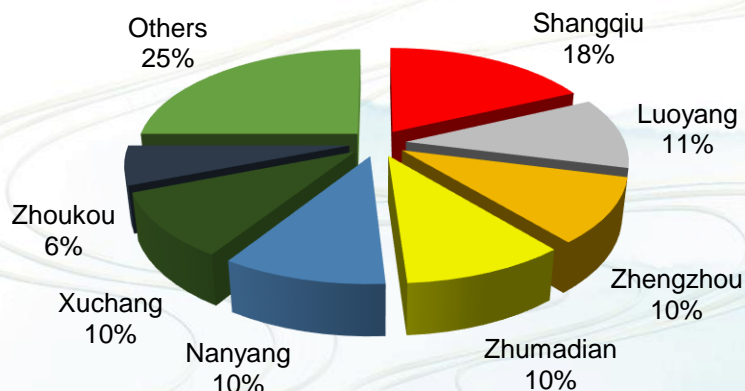
Recognized ASP by Property Type



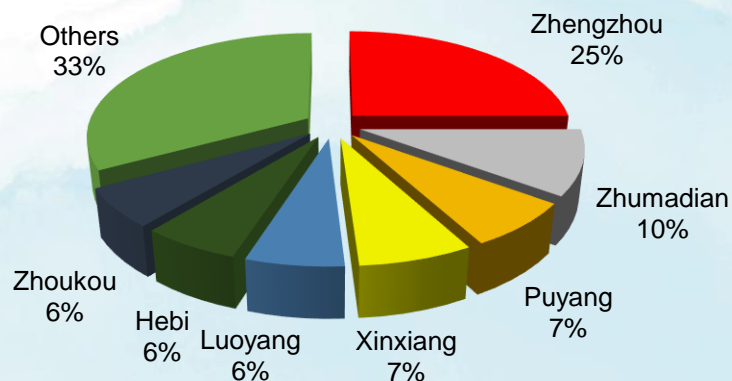
Recognized Sales and GFA Sold (Breakdown by Cities)

- Zhengzhou projects accounted for 10% of total recognized sales to RMB680 mn
- Tier 3 & 4 cities contributed 85% of total recognized sales
- County level cities accounted for 5% of total recognized sales

Recognized Sales in 1H22

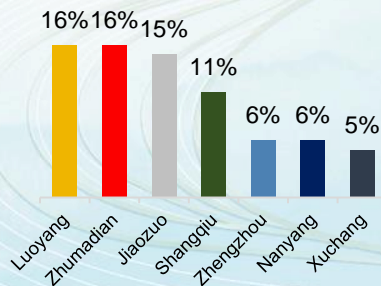


Recognized Sales in 1H21

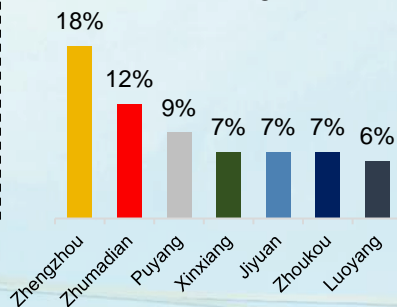


Recognized GFA

1H 2022



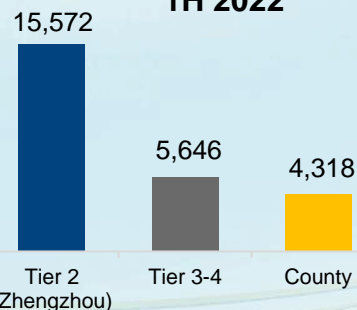
1H 2021



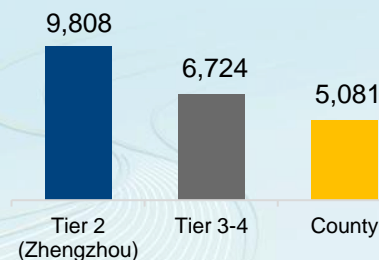
Recognized ASP (excluding carpark)

RMB per sq.m.

1H 2022



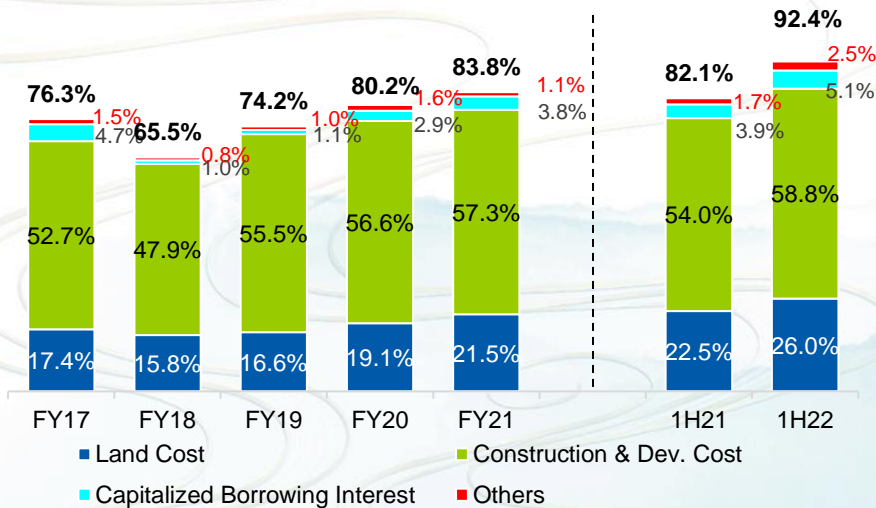
1H 2021



Cost Analysis

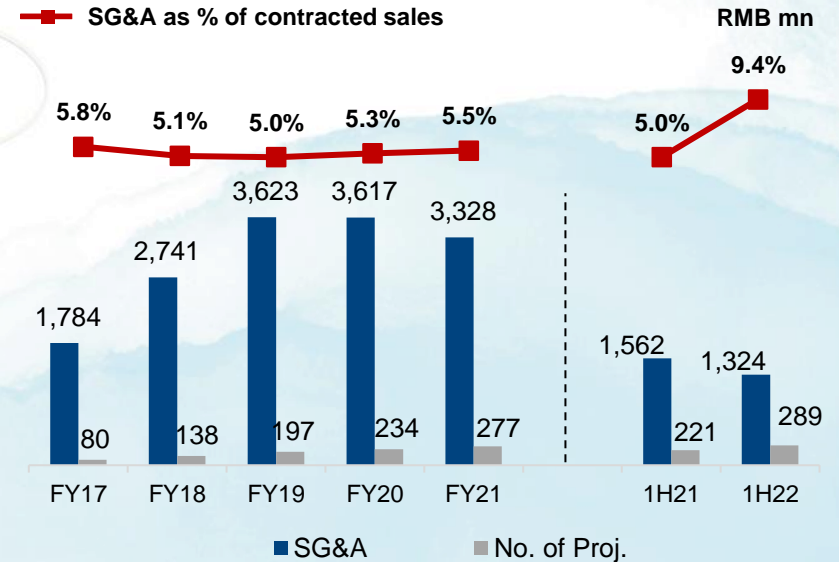
Cost of Sales (as % of revenue)

Stable cost structure



- In 1H22, cost of sales as percentage of revenue increased by 10.3 p.p. to 92.4%
- In 1H22, land acquisition costs as percentage of revenue increased by 3.5 p.p. to 26.0%

SG&A (as % of contracted sales)



- In 1H22, contracted sales decreased by 54.8%, total SG&A decreased by 15.2%, hence SG&A as percentage of contracted sales increased to 9.4%
- Selling & marketing expenses decreased by 8.4% to RMB708 mn
- General & administrative expenses decreased by 22.0% to RMB615 mn, mainly due to the decrease in staff costs

Balance Sheet Highlights

- Achieved cash balance of RMB6.5 bn
- Total debt increased by 17.5% to RMB25.8 bn
- Short-term debt increased by 64.4% to RMB11.1 bn
- Total shareholders' equity decreased by 52.1% to RMB6.1 bn

| (RMB mn) | 30 Jun 2022 | 31 Dec 2021 | Change |
|------------------------------|-------------|-------------|--------|
| Cash plus restricted deposit | 6,508 | 9,848 | -33.9% |
| Total assets | 145,783 | 145,807 | 0.0% |
| Total debt | 25,790 | 21,940 | 17.5% |
| Short-term debt | 11,116 | 6,761 | 64.4% |
| Net current assets | 448 | 5,371 | -91.7% |
| Total shareholders' equity | 6,110 | 12,743 | -52.1% |
| Book value per share (RMB) | 2.06 | 4.30 | -52.1% |

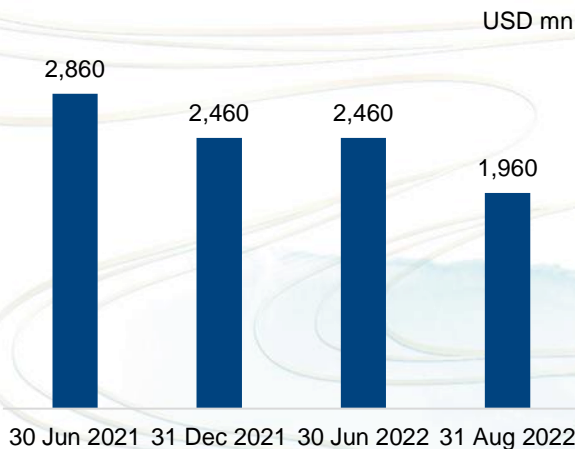
Key Financial Ratios

- Net debt to equity ratio at 315.6% due to lower equity base in 1H22
- Cash/short-term debt at 0.6 times
- Liabilities to assets ratio assets (excluding receipts in advance) at 92.9%

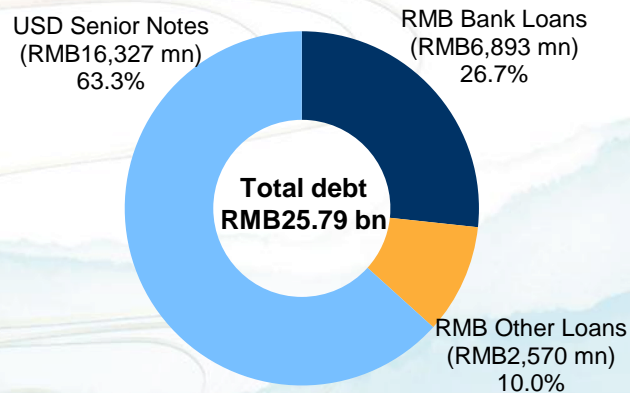
| | 1H2022 | 1H2021 |
|--|--------|--------|
| Net debt to total equity ratio | 315.6% | 92.6% |
| Total debt/total capitalization | 80.8% | 68.9% |
| Total liabilities/total assets (excluding receipts in advance) | 92.9% | 87.2% |
| Current ratio | 100.4% | 109.5% |
| Cash/short-term debt | 58.5% | 193.3% |

Debt Profile

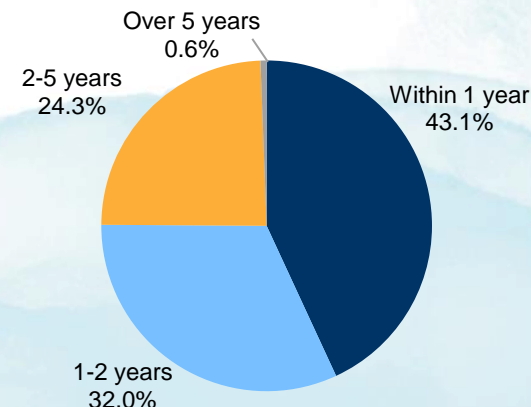
Decreasing USD Debt Exposure



Funding Source



Debt Maturity



- Redeemed a total of USD500mn Senior Notes in Aug 2022, reduced USD debt by USD900mn or 31.5% since Jun 2021
- 37.6% onshore debt and 63.3% offshore debt
- Maintained average debt maturity of 1.93 years as at 30 Jun 2022
- Stable average funding cost at 7.9% as at 30 Jun 2022 (31 Dec 2021: 7.7%)

Cash Flow Highlights

- Recorded net cash outflow of RMB3.3 bn in 1H22 due to weaker-than-expected sales
- Total contracted sales receipts amounted to RMB12.7 bn, achieved cash collection ratio of 90.2%
- Cash balance of RMB6.5 bn as at 30 June 2022

| (RMB mn) | | 1H22 (Actual) | 1H21 (Actual) | YoY Change |
|--------------------------------|---|------------------|------------------|---------------|
| Beginning cash position | | 9,848 | 29,327 | |
| Inflow | Contract sales receipts | 9,460 | 16,240 | -41.7% |
| | Contract sales receipts from JCE | 3,240 | 5,320 | -39.1% |
| | Amount obtain/repaid to JCEs & Other working capital movement | (4,330) | (1,765) | 145.3% |
| | Bank & other loans, restricted cash inflow/(outflow) | 670 | (1,488) | -- |
| | Issuance of Senior Notes | -- | 3,009 | -- |
| Total Cash Inflow | | 9,040 | 21,316 | -57.6% |
| Outflow | Land acquisition related cashflow | (1,560) | (8,520) | -81.7% |
| | Construction costs | (7,710) | (11,770) | -34.5% |
| | Redemption of USD senior Notes | -- | (4,543) | -- |
| | Repayment of RMB corporate bonds | -- | (1,500) | -- |
| | Finance costs | (1,180) | (1,630) | -27.6% |
| | SG&A expenses | (1,720) | (2,503) | -31.3% |
| | Income Tax(LAT and CIT) | (210) | (1,727) | -87.8% |
| | Dividend | -- | (663) | -- |
| | Net cash distributed in respect of distribution in specie | -- | (1,307) | -- |
| Total Cash Outflow | | (12,380) | (34,163) | -63.8% |
| End cash position | | 6,508 | 16,480 | -60.5% |

Agenda

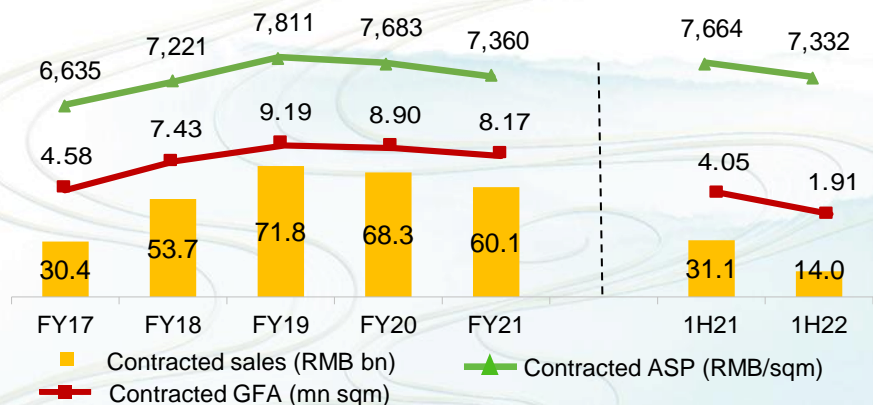
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Contracted Sales – Market Leader

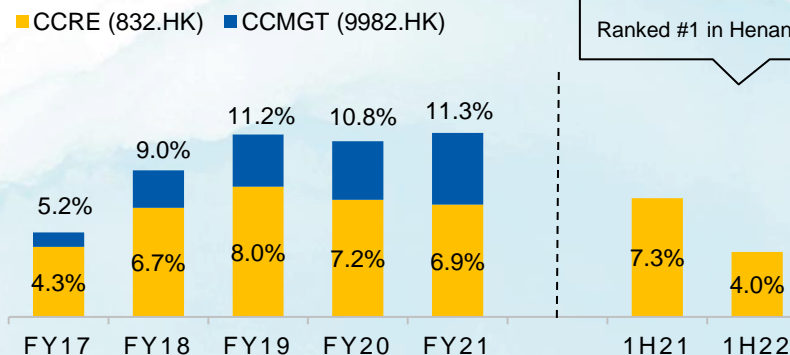
- Achieved market share of 4.0% in Henan in 1H22, ranked first in Henan
- Contracted sales down 54.8% to RMB14.0 bn, achieving 35.1% of revised FY22 sales target of RMB40.0 bn
- Achieved sell-through rate of approximately 43.2% in 1H22 (vs 54.2% in 1H21), on RMB32.5 bn saleable resources in 1H22
- Contracted sales GFA of 1.9 mn sq.m.
- ASP dropped by 4.3% to RMB7,332 /sq.m.

Contracted Sales & GFA & ASP

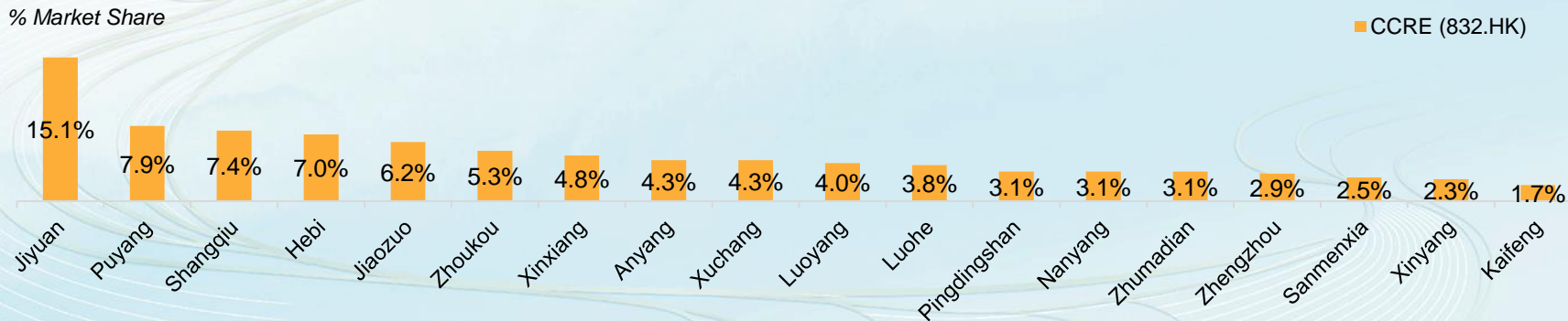
Sales 2017-2021 CAGR 18.6% GFA 2017-2021 CAGR 15.6%



Market Shares in Henan Province (a)



Market Share in Selected Cities (b)

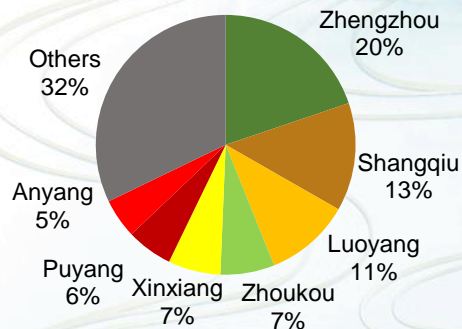


Contracted Sales Drivers in 1H2022

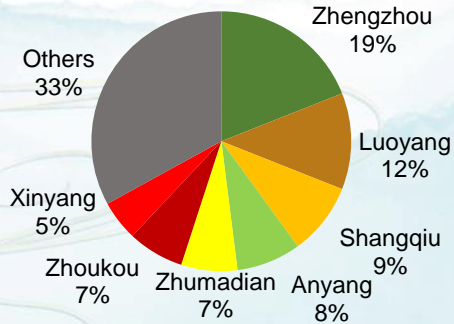
- Contracted sales from Zhengzhou was RMB2.8 bn, accounted for 20% of total contracted sales in 1H22
- Tier 3/4 accounted for 57% of sales (vs 62% in 1H21), and county level accounted for 23% of sales (vs 19% in 1H21)
- Sales from properties with ASP less than 11,000 was at 82% in 1H22
- Properties size between 90 to 144 sq.m. accounted for 73% of contracted sales in 1H22

Contracted Sales by Cities

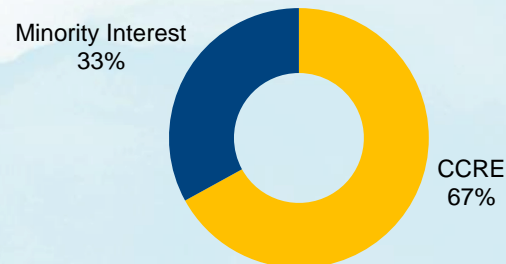
1H22



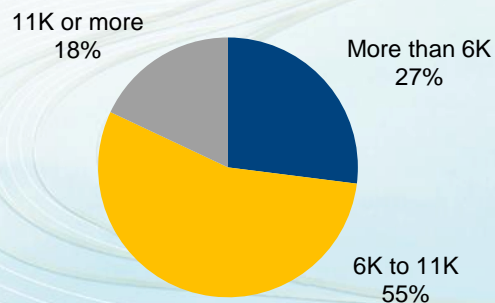
1H21



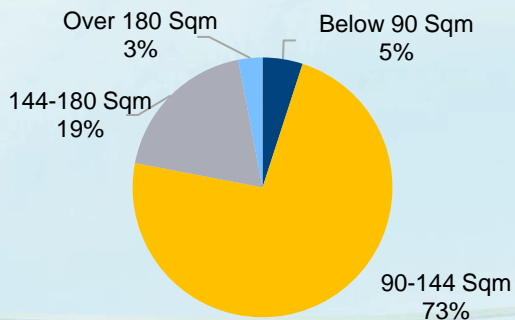
By Attributable Interest



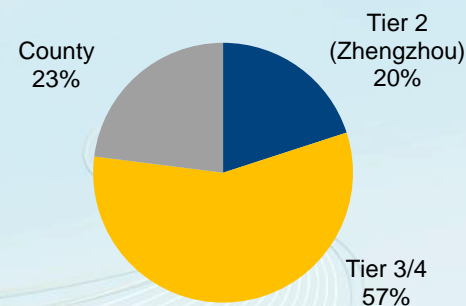
By ASP



By Unit Size



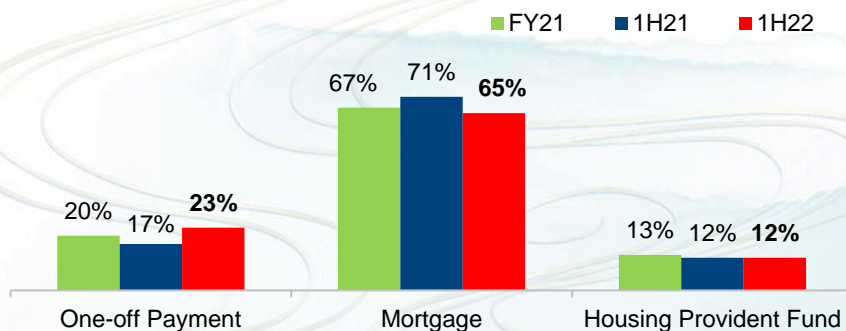
By City Level



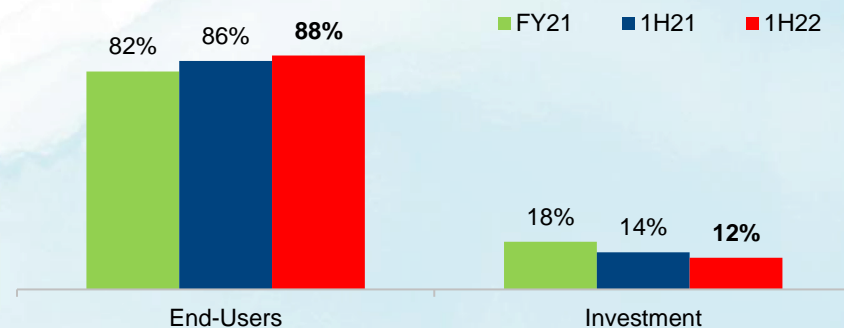
Customer Distribution

- Customer base consists of 88% end-users, with 95% were local buyers from Henan
- One-off payment buyers at 23%, mortgage payment buyers at 65%, and buyers using HPF at 12%
- Affordable pricing with 78% of property unit sold under RMB1 million reflecting end-user market demand
- The number of units sold above RMB1 million was stable at 22% in 1H22

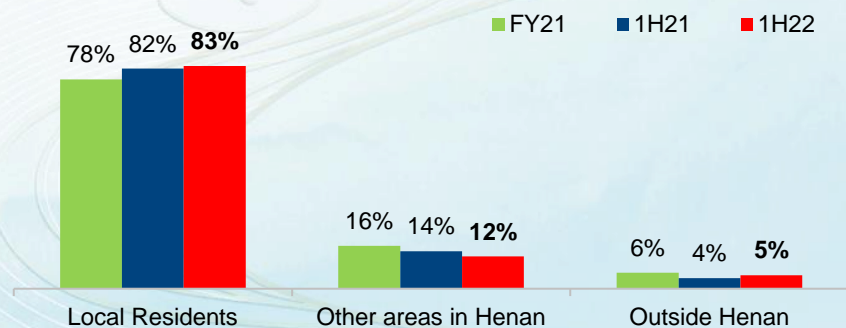
Breakdown of Purchasers by Payment Method



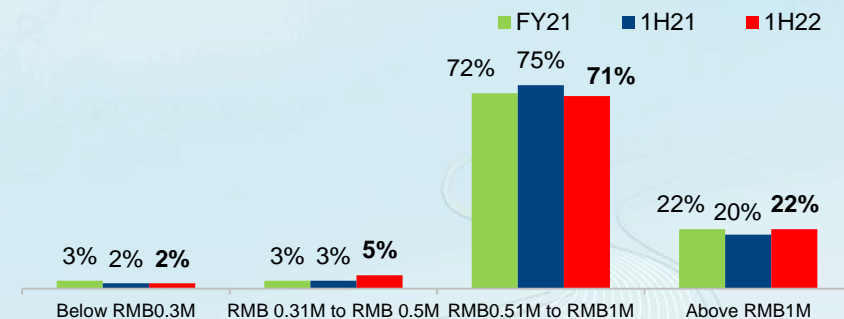
Breakdown of Purchasers by Usage



Breakdown of Purchasers by Region



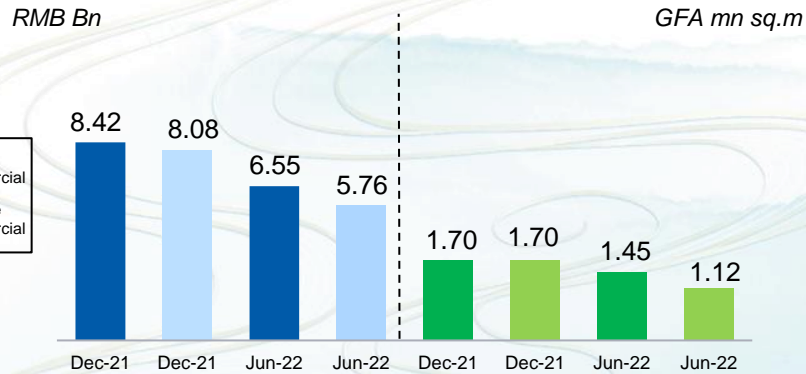
Breakdown of Purchasers by Selling Price



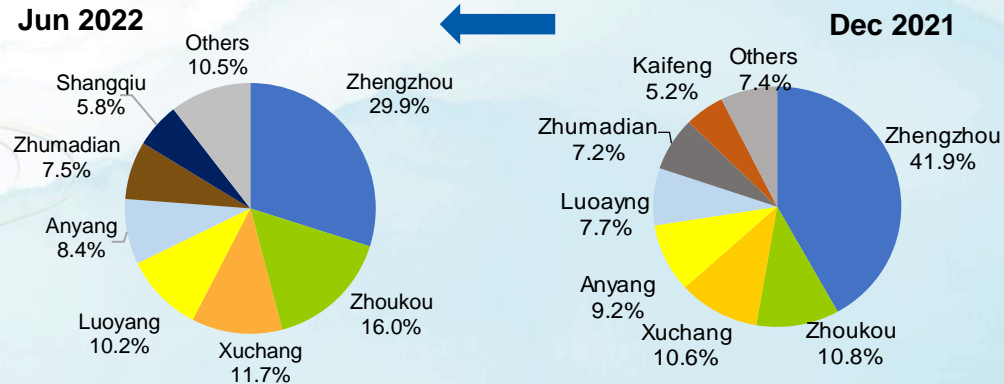
Inventory Analysis

- As of 30 June 2022, completed properties held for sales decreased by 22.2% to RMB6.6 bn
- Total saleable inventory increased by 33.5% to RMB37.4 bn
- Saleable inventory in Zhengzhou amounted to RMB6.5 bn, representing 17.4% of total saleable inventory
- 85.4% of saleable inventories are residential properties and 5.7% commercial (by GFA)
- Among completed properties, 13.0% aged within 1 year, while 66.7% aged within 3 years

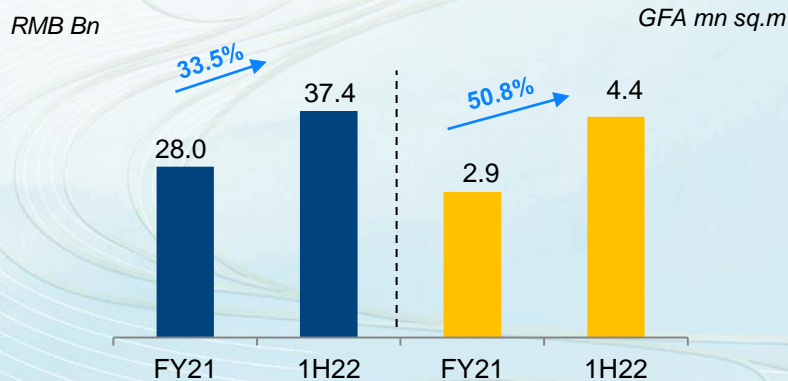
Completed Properties Held for Sales



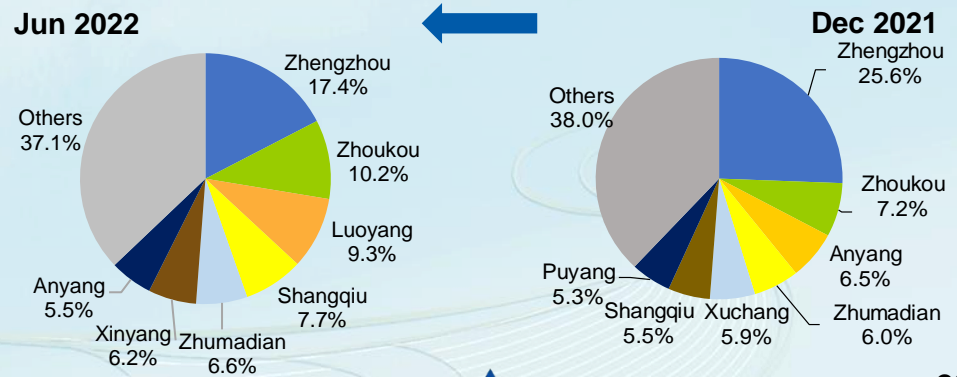
Breakdown of Completed Properties Held for Sales



Total Saleable Inventory



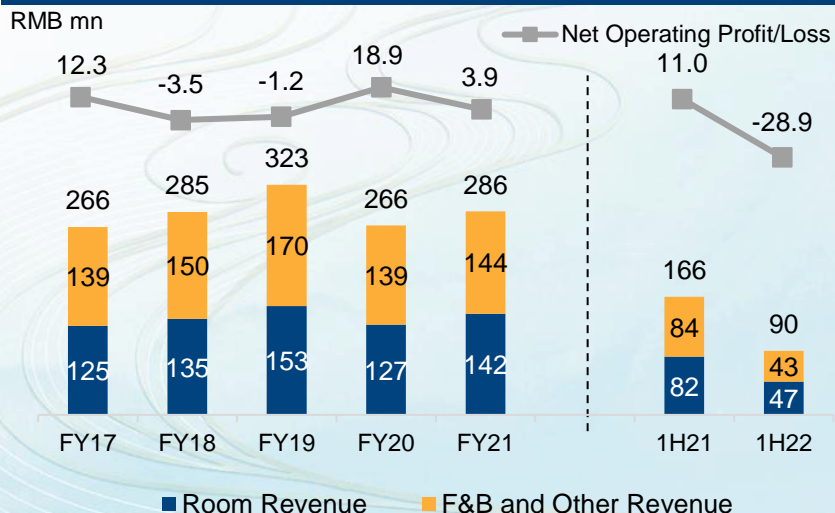
Breakdown of Total Saleable Inventory in RMB by City



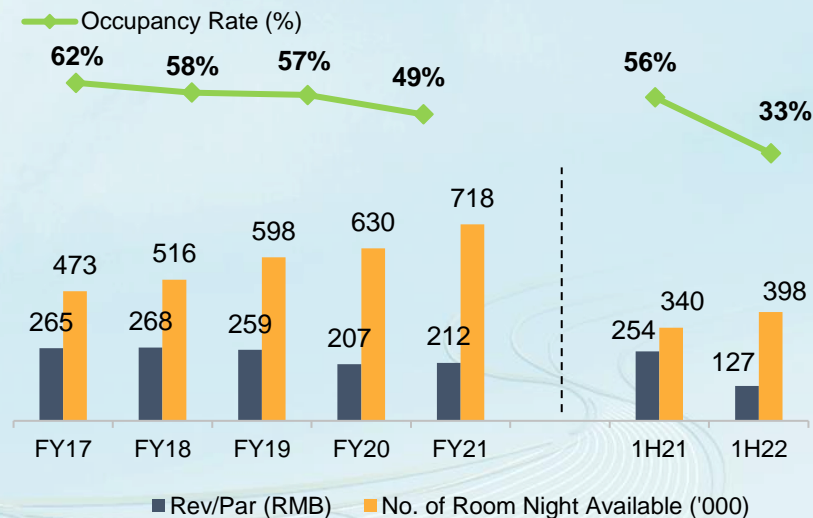
Hotel Operations

- 1H22 revenue from hotel operations decreased by 46.0% y-o-y to RMB90 mn, with GPM of 20% due to the pandemic
- Room revenue decreased by 43.4% y-o-y to RMB47 mn, while F&B revenue decreased by 48.6% y-o-y to RMB43 mn
- Average occupancy rate decreased to 33% in 1H22 (1H21: 56%)
- Rev Par was RMB127 /room, down 49.9% y-o-y
- Net operating loss was RMB28.9 mn (1H21: net operating profit of RMB11.0 mn)
- In 1H22, net loss from hotel operation was at RMB110 mn (1H21: loss of RMB69.7mn), mainly due to the drop in occupancy rate and revenue due to the epidemic.

Hotel Revenue and Operating Profit/ Loss



Occupancy Rate vs Rev Par and No. of Room Available



Hotel Operations



| Hotel | No. of Guestrooms | Total GFA (sq.m.) | Occupancy Rate | y-o-y change | RevPar (RMB) | y-o-y change | Opening Time |
|--|-------------------|-------------------|----------------|----------------|--------------|---------------|--------------|
| Aloft Shangjie | 172 | 19,457 | 52% | -6 p.p. | 104 | -11.3% | 2011 Aug |
| Holiday Inn Nanyang | 353 | 50,574 | 35% | -21 p.p. | 133 | -37.6% | 2012 Aug |
| Four Points by Sheraton Luohe | 244 | 37,398 | 44% | -17 p.p. | 125 | -38.3% | 2012 Nov |
| Le Méridien Zhengzhou | 337 | 64,721 | 54% | -20 p.p. | 260 | -39.6% | 2013 Oct |
| Pullman Kaifeng Jianye | 186 | 43,836 | 17% | -30 p.p. | 101 | -69.2% | 2015 Nov |
| Yanling Jianye The MIST Hot Spring Hotel | 51 | 19,951 | 8% | -18 p.p. | 134 | -71.9% | 2018 Feb |
| Zhengzhou Jianye Sky Mansion | 302 | 34,252 | 44% | -16 p.p. | 158 | -31.2% | 2018 Oct |
| Yuzhou Jianye Starry Hills | 24 | 1,657 | 15% | -17 p.p. | 42 | -53.4% | 2019 Oct |
| Xinyang Jianye Starry Hills | 89 | 7,878 | 7% | -9 p.p. | 28 | -57.9% | 2020 Jul |
| Unique in Henan Hotel | 400 | 32,040 | 13% | -14 p.p. | 38 | -65.4% | 2021 Jun |
| Total / Average | 2,158 | 311,764 | 33% | 23 p.p. | 127 | -49.9% | |

Sustainability - Environmental

Protecting the Environment with Green Construction

- In active response to the national “carbon neutral” and “carbon peak” policies, in order to promote environment friendly construction business and promote low-carbon living culture, the Company explores various energy-saving technologies in accordance with the current national regulations and standards, and fully improves the environmental protection and energy-saving efficiency of residential projects
- Actively promotes the housing industrialisation and the fully decorated houses development in Henan Province, researches new technologies or new measures, and improves the effectiveness of emission reduction and waste reduction
- Prefabrication utilization rate exceeded 50% for some of our projects, which exceed local governments’ requirement that calls no less than 30% of prefabrication utilization



*Zhoukou Hill Water Lake City –
prefabrication over 50%*



Sustainability - Social

Quality Commitment and Responsibility

- On its 30th anniversary, CCRE developed the service system 4.0 to further upgrade its services. With A.I. technology as support and the mega service regime as the platform, the Company has created an all rounded, complete service system to provide quality living standards for the people in the Greater Central China
- Continued to carry out the innovative “Jade Polish” campaign (琢玉行动) to upgrade old communities’ hardware and service and improve customer satisfaction
- Delivered over 31 projects with over 11,000 units in 1H22, in which 8 projects with over 2,100 units were delivered early, winning market reputation and property owners’ recognition



“Polish Jade” campaign community upgrade



Project delivery

Training and Talent Development

- In 1H2022, the coverage rate of employee labor contracts and social insurance reached 100%; work-related injury rate was low at 0.14%
- Over 143,000 hours training provided by CCRE Academy with total 34,600 trainees joined



Sustainability - Governance

Continuous Improvement in Risk Management and Internal Control Systems

- The Board of Directors of the Company assumes full responsibility for the ESG management and reporting
- In 1H22, the Company updated and revised the internal control assessment template, which clarified the basis, principles and division of responsibilities for the Company's risk management and internal control work, laying the foundation for the overall internal control of the year
- In 1H22, the Group's internal control team organized comprehensive sorting, and conducted investigations from two aspects: risk matters and business risks, and proposed timely preventive and countermeasures for potentially important and urgent risks

Embrace ESG with Industry Recognition

- MSCI ESG BB rating
- Published the first independent ESG report in May 2022



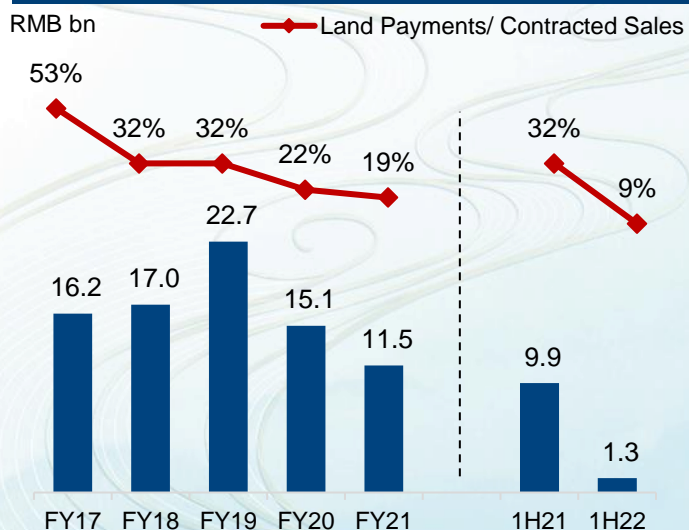
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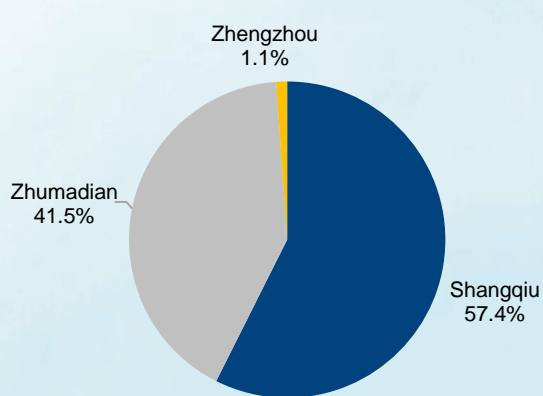
Land Acquisition in 1H2022

- In 1H22, total land premium was RMB1.3 bn, accounted for 9% of contracted sales of RMB14.0 bn
- Acquired a total of 0.89 mn sq.m. of new land bank at an average cost of RMB1,488 /sq.m.
- Low land cost per sq.m., represents 20% of the contracted sales ASP of RMB7,332 /sq.m in 1H22
- Consistent with the Group's strategy of controlling land cost, 83% (by GFA) of the new land in 1H22 was acquired through cooperation

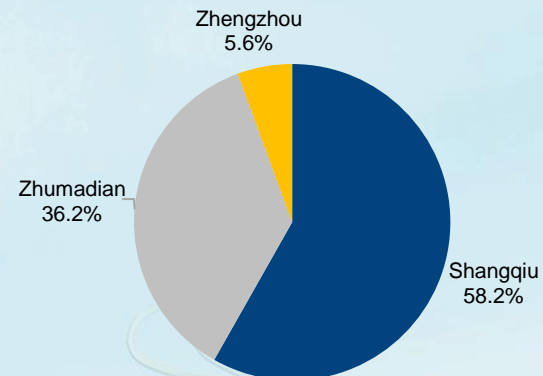
Total Land Premium and Total Land Premium as % of Contracted Sales



Land Acquisition by cities in 1H22 (by GFA)



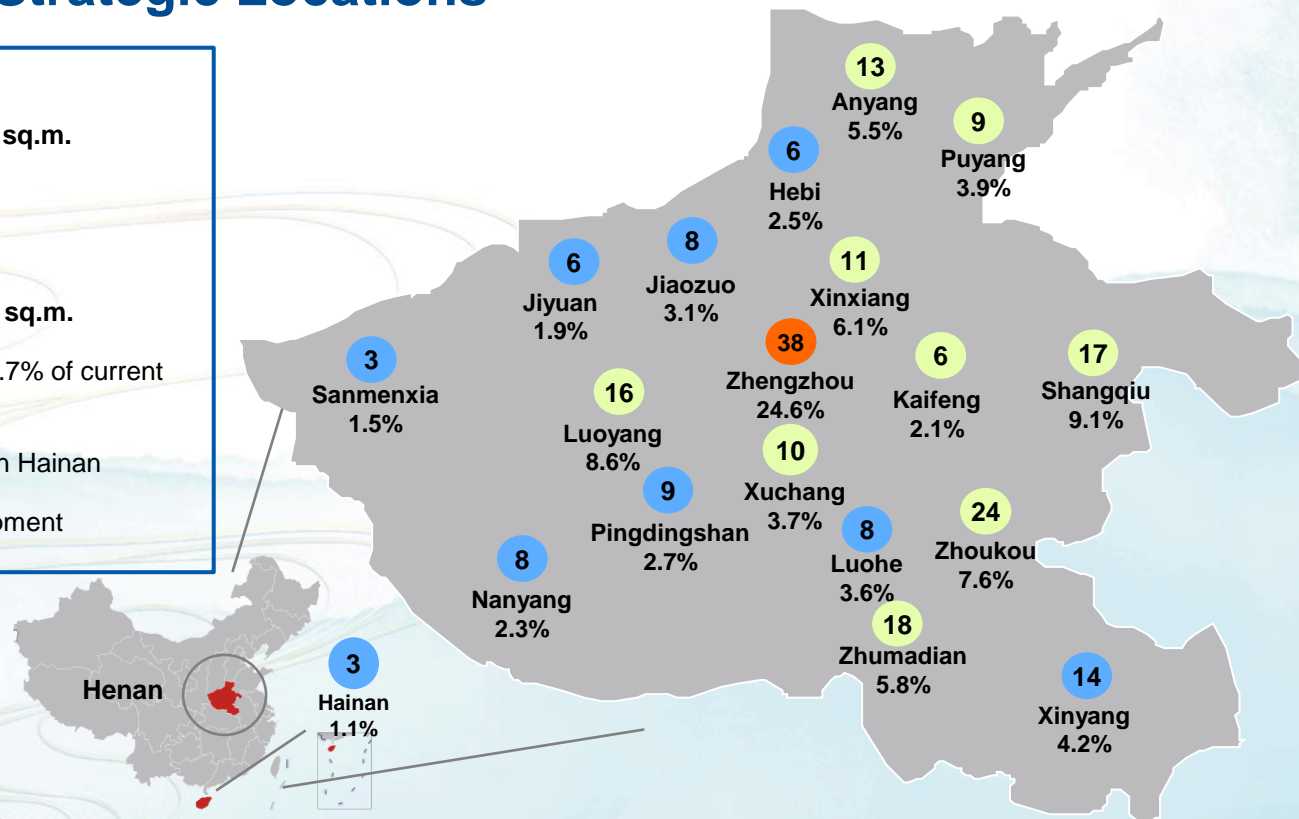
Land Acquisition by cities in 1H22 (by RMB Mn)



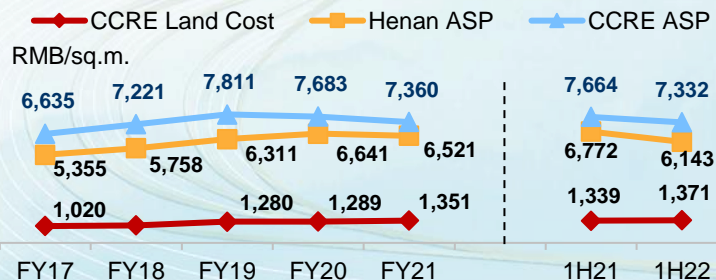
Land Reserves in Strategic Locations

As at 30 June 2022:

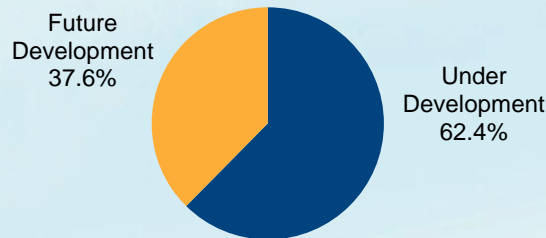
- Total GFA of land bank: **50.37 mn sq.m.**
- Attributable GFA: **36.55 mn sq.m.**
- Attributable interest: **72.6%**
- Average land cost: **RMB1,371 per sq.m.**
- Low land per sq.m. land cost at 18.7% of current ASP to support future profit
- 224 projects in Henan, 3 projects in Hainan
- Land bank for 2-3 years of development



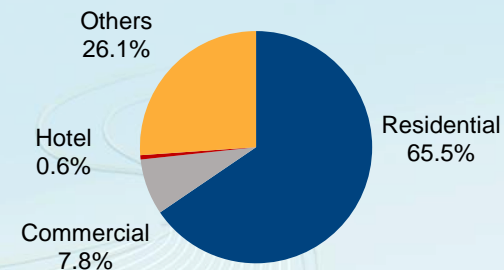
Higher ASP vs Lower Land Cost to Secure Profit



Development Stage



Property Type



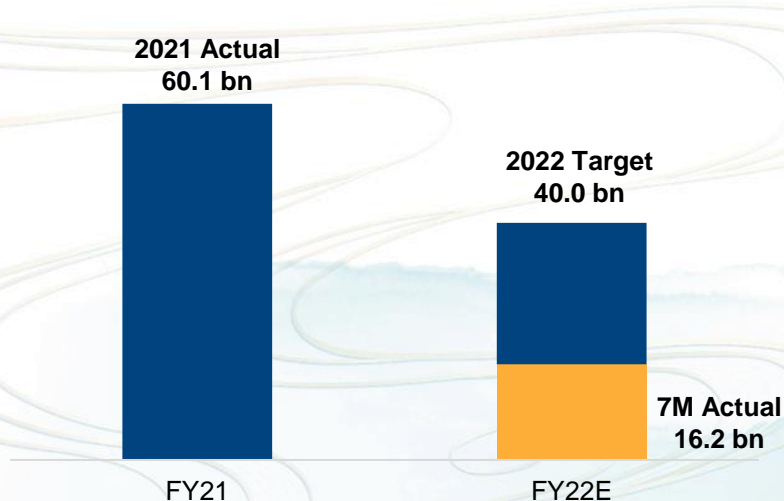
96% of land use rights obtained

Agenda

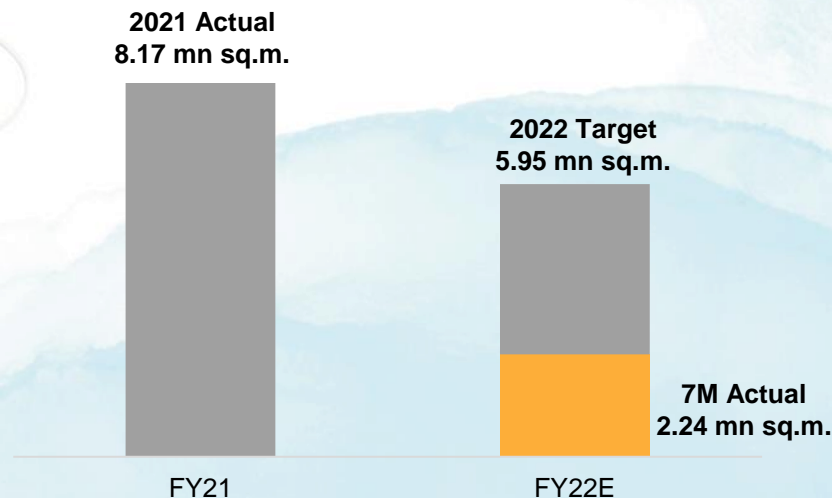
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2022 Contracted Sales Targets – “做少、做小、做好”

2022 Contracted Sales Target



2022 GFA Target



- Revised FY22 contracted sales target of RMB40.0 bn
- Revised FY22 contracted GFA target of 5.95 mn sq.m.
- Achieved contracted sales of RMB16.2 bn as at 31 July 2022, achieved 40.4% of annual sales target; contracted sales GFA reached 2.24 mn sq.m.
- ASP for 7M22 at RMB7,215 /sq.m., down 5.8% yoy
- Estimated total saleable resources of approximately RMB50.6 bn in 2H22, including existing inventory (RMB37.4 bn) & new launches in 2H22 (RMB13.2 bn)
- In 2H22, to achieve the contracted sales target, requires a sell-through rate of approximately 51.3%

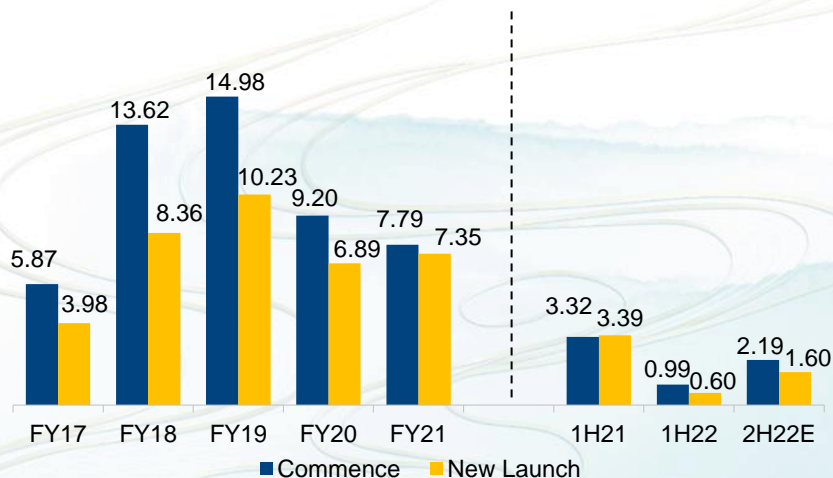
2022 Development Plan

Commence & New Launch GFA

mn sq.m.

2017-2021 Commence GFA CAGR 7.3%

2017-2021 New Launch GFA CAGR 16.6%



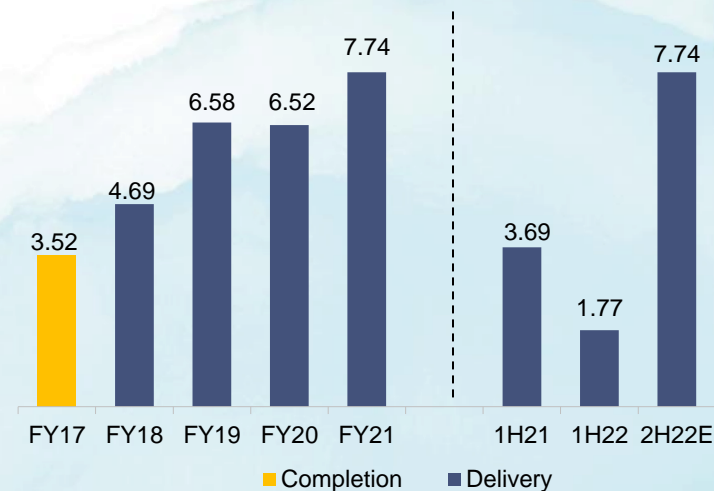
In 2H22:

- Plan to commence GFA construction of 36 projects with GFA of 2.19 mn sq.m.
- Plan to launch 103 projects/phases with GFA of 1.60 mn sq.m.
- Estimate to deliver 75 projects with GFA of 7.74 mn sq.m.
- The company expects the development plan will support the contracted sales plan in 2H22

Completion and Delivery

mn sq.m.

Expected FY22 delivery 9.51mn sq.m. up 22.9% yoy



Major Project Launch in 2H2022

Yongcheng Lianmeng Dongwang 永城联盟东望



- GFA: 346,914 sq.m.
- Location: Yongcheng Tuohetuo Scenic Zone, 100m south of Zhongyuan Bridge
- Surroundings: Tuonan Ecological Plaza, Riyue Lake Park, Huanjin Lake Park; convenient transportation, close to the Zhongyuan Road Bridge, the main road of the city
- Product: 10-12F Townhouse (bare shell)
- Est. ASP: RMB6,550 /sq.m.
- Land price: RMB2,729 /sq.m.
- Saleable value: RMB540 million

Shangqiu Shenhuo Jiangshan Mansion 商丘建业·神火江山府



- GFA: 402,517 sq.m.
- Location: 100m south of the intersection of Songcheng Road and Sunshine Road
- Surroundings: Education, cultural, health and entertainment facilities
- Product: bungalow, high-rise
- Est. ASP:
High-rise RMB6,500/sq.m.
Townhouse RMB9,500 /sq.m.
- Land price: RMB4,755 /sq.m.
- Saleable value: RMB320 million

Luoyang Code Two City 洛阳建业贰号城邦



- GFA: 661,309 sq.m.
- Location: Intersection of Zhongzhou Road and Qiming South Road
- Surroundings: subway station, school, hospital, Luopu Park
- Product: High-rise
- Est. ASP: RMB9,000/sq.m.
- Land price: RMB3,028/sq.m.
- Saleable value: RMB390 million

Anyang Jianye Guangming Mansion 安阳建业光明府



- GFA: 243,390 sq.m.
- Location: 300 m south of the intersection of Haihe Avenue and Gaijin Road
- Surroundings: Schools, Nanwanjinqu Parks, hospital with and convenient transportation
- Product: High-rise, Townhouse
- Est. ASP: RMB6,600/sq.m.
- Land price: RMB2,539/sq.m.
- Saleable value: RMB450 million

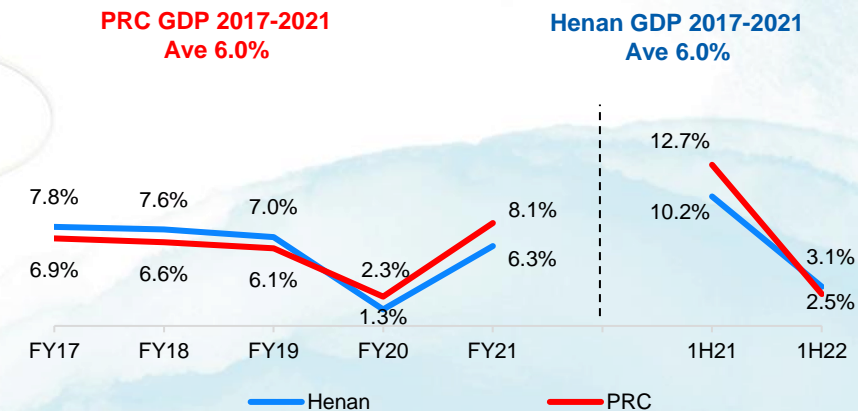
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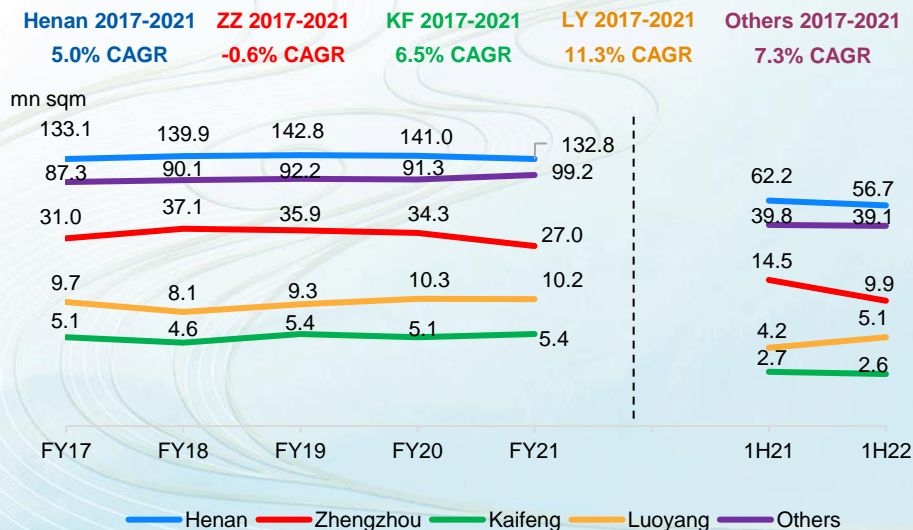
Market Review – Henan’s Economy Outgrew National Economy

- In 1H22, Henan’s GDP reached RMB3.1 trillion (5.5% of China’s total GDP), achieving real GDP growth of 3.1%, vs the national GDP growth of 2.5%
- In 1H22, in terms of GFA sold, Henan property market was down 8.9% y-o-y to 56.7 mn sq.m., while national property GFA sold down by 22.2%
- Some tier 3/4 cities in Henan are displaying volume growth, for example, Jiyuan +49.8%, Jiaozuo +22.6%, Pindingshan +8.0%; Zhengzhou’s GFA sold decreased by 31.5%

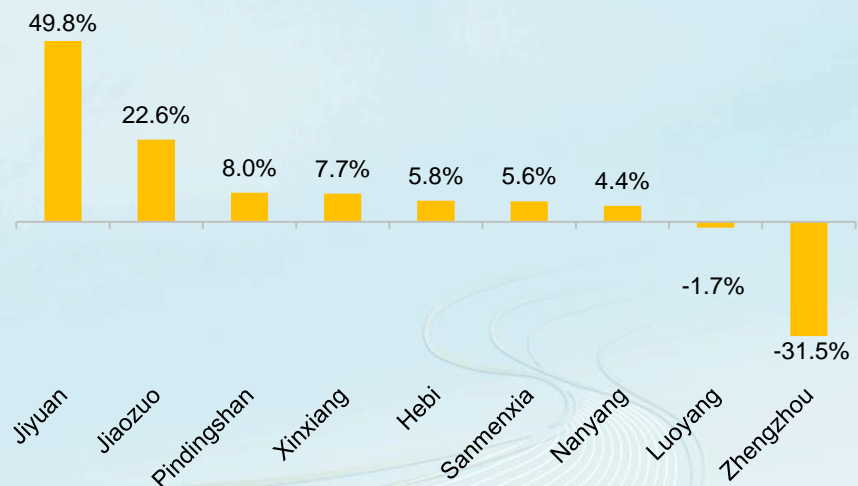
Above Average Real GDP Growth



Contracted Sale GFA



1H22 Contracted GFA Sold Growth by Cities

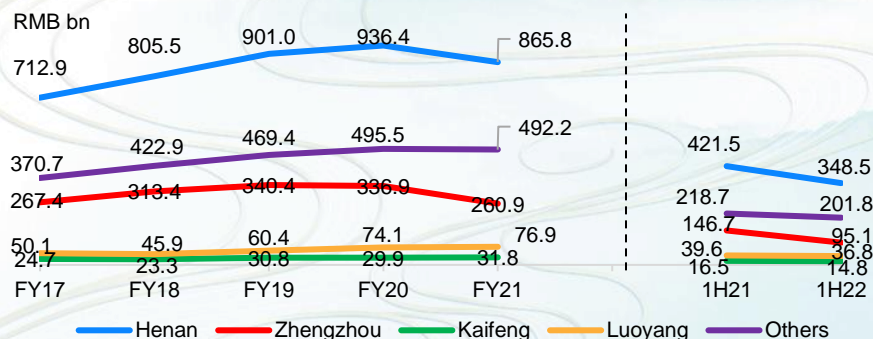


Market Review (cont'd) – Henan's Property Sales Declined Less than National Sales

- In 1H22, Henan total contracted sales decreased by 17.3% y-o-y to RMB348.5 bn (5.3% of China's total contracted sales) vs nationwide growth rate of -28.9% y-o-y
- Henan's ASP dropped 9.3% y-o-y to RMB6,143/ sq.m. vs nationwide ASP decrease of 8.6% to RMB9,586 /sq.m.
- Some tier 3/4 cities in Henan recorded strong growth, such as Jiyuan +30.9%, Jiaozuo +10.9%
- Zhengzhou contracted sales decreased by 35.2% y-o-y, representing 27.3% of the Henan property market, with ASP decreasing by 5.3% y-o-y to RMB9,577/sq.m.

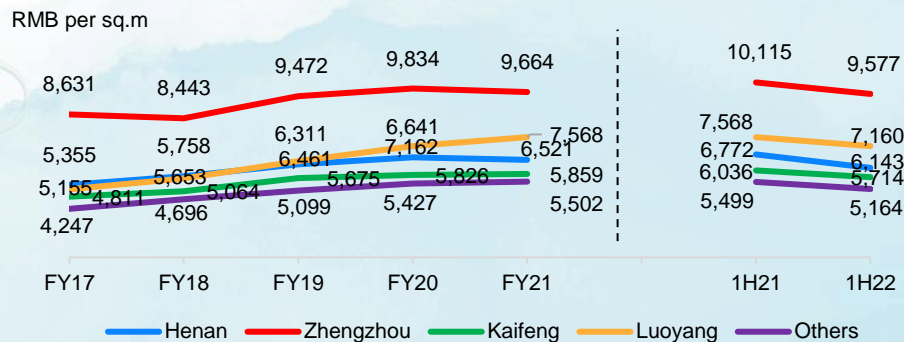
Contracted Sales

Henan 2017-2021 **5.0% CAGR** ZZ 2017-2021 **-0.6% CAGR** KF 2017-2021 **6.5% CAGR** LY 2017-2021 **11.3% CAGR** Others 2017-2021 **7.3% CAGR**

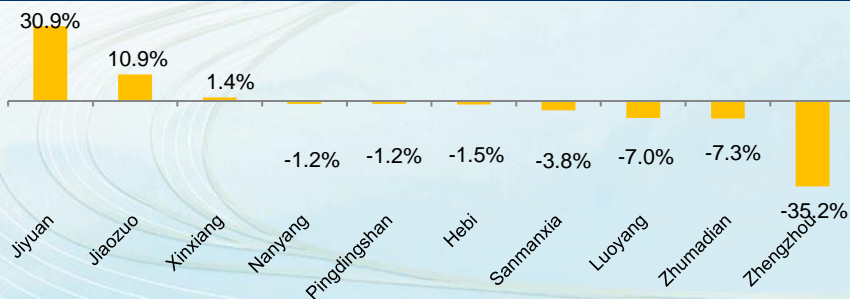


ASP

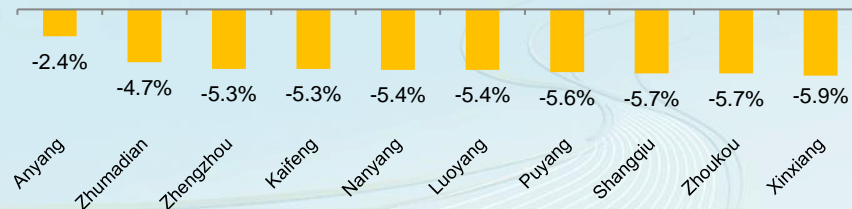
Henan 2017-2021 **5.1% CAGR** ZZ 2017-2021 **2.9% CAGR** KF 2017-2021 **5.1% CAGR** LY 2017-2021 **10.1% CAGR** Others 2017-2021 **6.7% CAGR**



1H22 Contracted Sales Growth by Cities



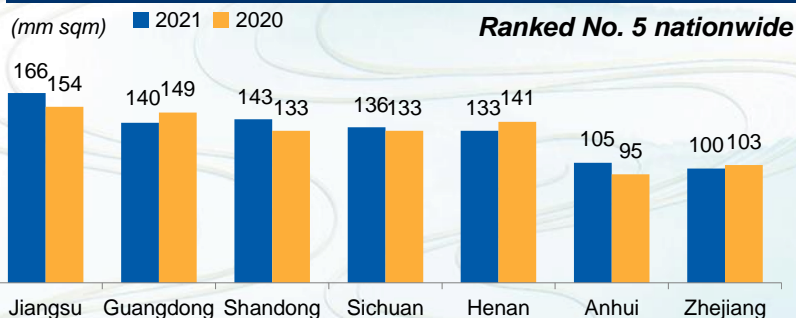
1H22 ASP Growth by Cities



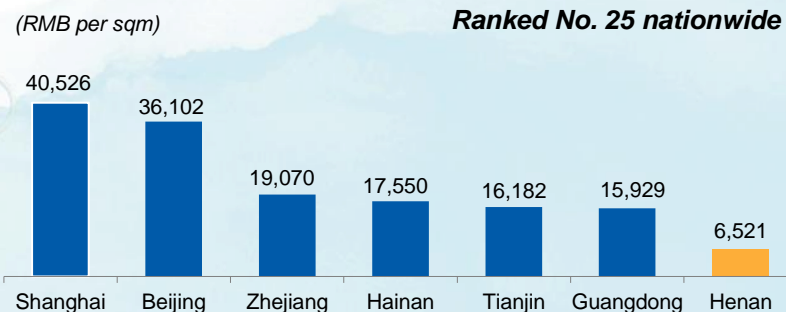
A Market with Strong Growth Potential

- In 1H22, Henan ranked 5th largest economy in China with GDP approximately USD451.8 billion, representing 5.5% of China's total GDP
- Henan property market ranked 5th largest by GFA sold, representing 7.4% of China's total property GFA sold for 2021
- Rising urbanization rate of Henan at 56.5% in 1H2022 vs nationwide average urbanization rate of 64.7%
- Henan has a large population approx. 100 mn with rising urban disposable income per capita at RMB37,095 in 2021, up 6.7%
- End-user market with rising affordability, with average housing price at 8.1 times annual household disposal income in 2021

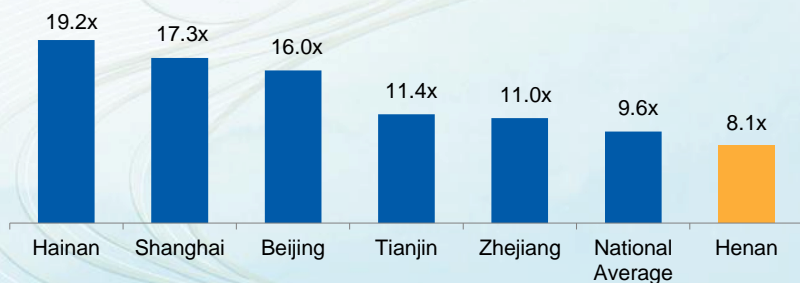
2021 Contracted Sales GFA – Sizeable Market



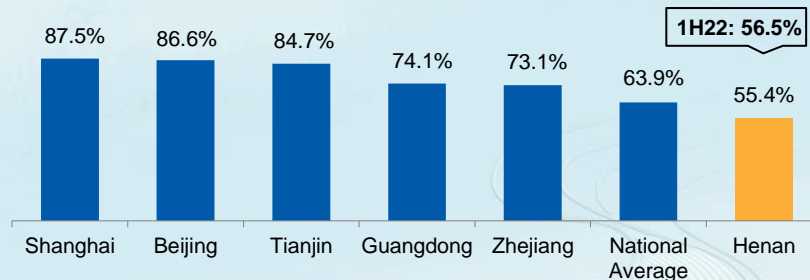
2021 ASP^(a) – Significant Room for Growth (RMB psm)



2021 Affordability Ratio^(b) – Highly Affordable Properties



2020 Urbanization Rate – Strong Underlying Potential



Source: Provincial Statistics 2021 & 1H2022;

Note: ^(a) Based on commodity properties; ^(b) Affordability ratio = average price of a 100 sqm apartment / average annual household disposal income, assuming an average household size of 3; calculations are based on information as at 31 December 2021; lower number indicates better affordability

Market Outlook

The Macro-Economy Environment

- Since this year, international situation has been complex and severe, global economic growth slowdown is evident. Numerous spreads of the pandemic within the country have caused a certain level of impact to the stability of economy. With the general trend of pandemic prevention and control improving, and a series of policy measures to stabilize growth showing results, the economic operation gradually stabilized and rebounded, with GDP achieving y-o-y growth of 2.5% in the first half of the year. Henan province showed a more resilient economy, with GDP growth rate of 3.1%, exceeding the national average by 0.6 p.p.
- In the second half of 2022, it is expected that the central government will adhere to the general tone of striving for stability at the Party's 20th National Congress. Policies aiming to improving people's livelihood, stabilizing the macroeconomic situation, keeping the economy in a reasonable range and maintaining the general social stability. Incremental policies such as monetary, fiscal, real estate, domestic demand expansion, smooth cycle, SMEs relief and employment stabilization will continue to increase, and economic growth will return to strength in the third and fourth quarters.

The Property Market

- Since this year, the property industry has been suffering from unprecedented difficulties, with the year-on-year growth rate of area of sales, newly commenced GFA and other core indicators dropping to a new low in more than a decade, property development investment displayed negative growth for the first time. The market wait-and-see sentiment was strong, the sell-through rate slowed down significantly, the sell-through cycle extended exponentially, and the TOP100 real estate companies showed a year-on-year decline of 48.6% in sales for the first half of 2022. The industry was under pressure of both financing and sales declines, and corporate cash flow was tightened to varying degrees.
- In the second half of 2022, with the easing of policy, the gradual maturity of dynamic pandemic prevention, the reduction of housing interest rates, the introduction of measures to guarantee delivery of properties, and the improvement of supply and demand, confidence in the real estate industry will be gradually mended, and be in a gradually improving state for the second half of the year.



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Q&A

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