



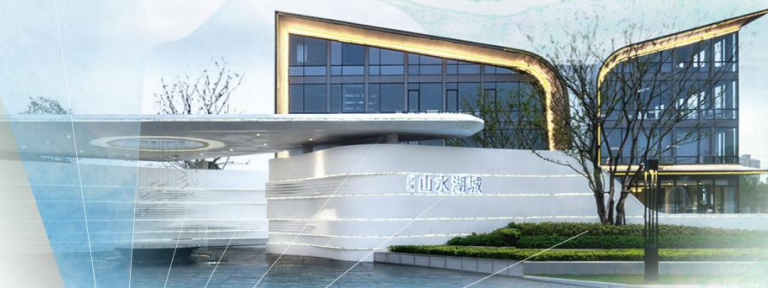
建業地產股份有限公司  
Central China Real Estate Limited

# 2021 Interim Results Announcement

August 2021

根植中原 造福百姓

胡海森



建业集团

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# Company Representatives



**Chairman & Executive Director**  
**Mr. Wu Po Sum**



**Mr. Felix Wang**  
**Chief Executive Officer &**  
**Executive Director**




**Mr. Chris Ma**  
**Chief Financial Officer**



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

# Agenda

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# Overview

## 2021 First Half Financial Results Summary

- ▲ Revenue increased by 56.4% to RMB20,357 mn, (excluding attributable revenue from JCEs of RMB1,234 mn)
- ▲ Total recognized GFA amounted to 2,663,313 sq.m., up 49.4%
- ▲ Recognized ASP increased by 9.8% to RMB7,013 per sq.m.
- ▲ Gross profit increased by 17.8% to RMB3,638 mn, achieved gross profit margin of 17.9%
- ▲ EBITDA at RMB2,895 mn on higher gross profit, up 1.8%
- ▲ Achieved net profit of RMB1,025 mn, up 30.4%
- ▲ Net profit attributable to equity shareholders was RMB729 mn, up 0.3%
- ▲ Declared interim dividend of HK14.75 cents per share (equivalent to RMB12.27 cents per share), increased by 34.1% y-o-y from HK11.00 cents per share

# Overview

## 2021 First Half Operational Achievements

- ▲ In 1H2021, heavy asset contracted sales increased by 3.5% to RMB31.05 bn, achieved 44.4% of revised full year target of RMB70.0 bn
- ▲ In 1H2021, heavy asset contracted sales GFA increased by 9.9% to 4.05 mn sq.m
- ▲ 1H2021 contracted ASP was RMB7,664 /sq.m., down by 5.8%
- ▲ Market share in Henan reached 7.3% in 1H2021
- ▲ As at 30 June 2021, unrecognized contracted sales amounted to RMB67.63 bn, and RMB14.57 bn attributable at JCEs
- ▲ Issued first USD260mn Green Bond in January 2021
- ▲ Successful listing of light asset business, Central China Management Company Limited (9982.HK) on 31 May 2021



# Agenda

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# Financial Highlights

- ▲ Revenue increased by 56.4% RMB20,357 mn, primarily due to the increase in recognized GFA
- ▲ Gross profit increased by 17.8% to RMB3,638 mn
- ▲ Achieved gross profit margin of 17.9%; the decrease in GPM was mainly due to price promotion of certain projects
- ▲ EBITDA increased by 1.8% to RMB2,895 mn on higher gross profit
- ▲ Net profit increased by 30.4% to RMB1,025 mn, net profit margin at 5.0%
- ▲ Basic EPS at RMB25.63 cents

	1H2021	1H2020	Change
Revenue (RMB mn)	20,357	13,019	56.4%
Gross profit (RMB mn)	3,638	3,089	17.8%
Gross profit margin	17.9%	23.7%	-5.8p.p.
EBIT (RMB mn)	2,740	2,689	1.9%
EBIT margin	13.5%	20.7%	-7.2p.p.
EBITDA (RMB mn)	2,895	2,844	1.8%
EBITDA margin	14.2%	21.9%	-7.6p.p.
Income tax (RMB mn)	1,039	671	54.8%
Net profit (RMB mn)	1,025	786	30.4%
Net profit margin	5.0%	6.0%	-1.0p.p.
Net profit attributable to equity shareholders (RMB mn)	729	727	0.3%
Basic earnings per share (RMB cents)	25.63	26.43	-3.0%
Diluted earnings per share (RMB cents)	25.54	25.93	-1.5%

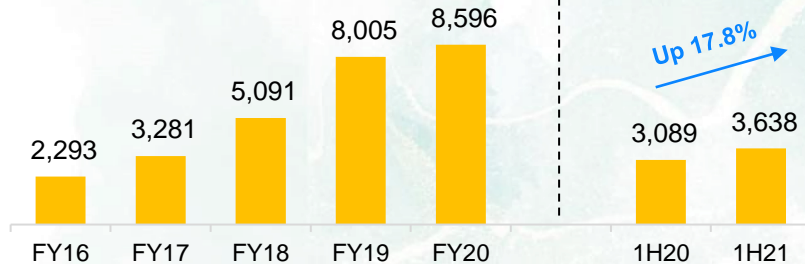


# Financial Highlights (cont'd)

▲ Track record of financial performance

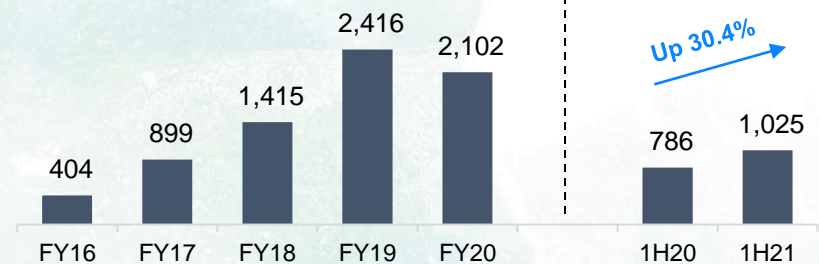
## Gross Profit

RMB mn  
2016-2020 CAGR 39.2%



## Net Profit

RMB mn  
2016-2020 CAGR 51.0%

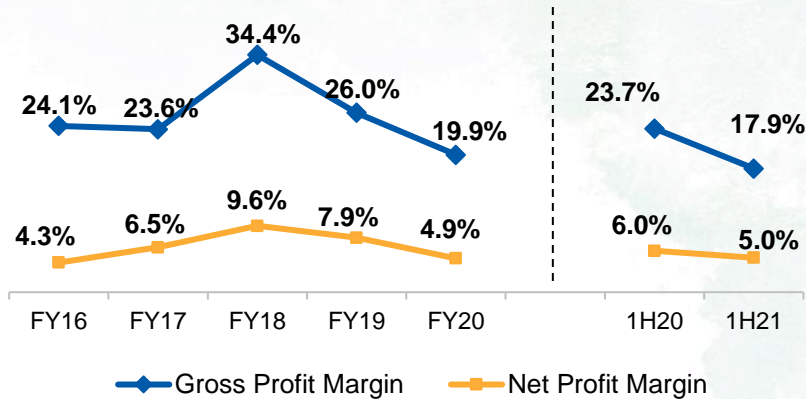


## Gross Profit Margin & Net Profit Margin

Percentage

2016-2020 GPM Ave. 25.6%

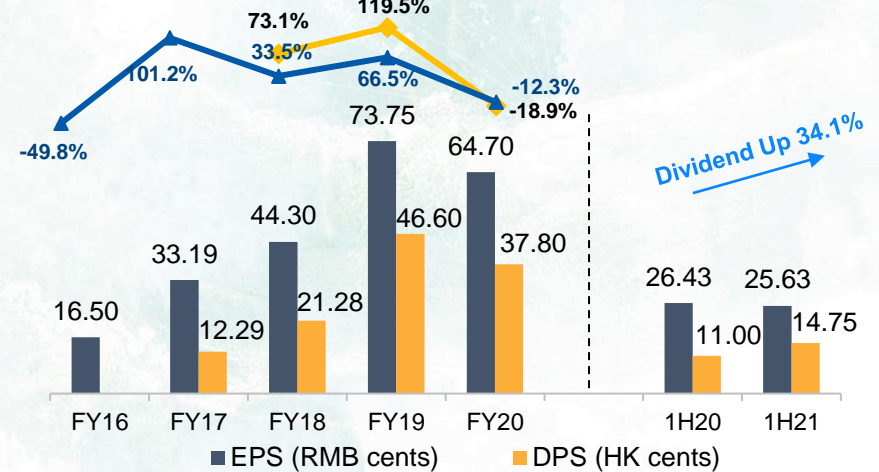
2016-2020 NPM Ave. 6.6%



## Dividend per Share & Earnings per Share

Percentage

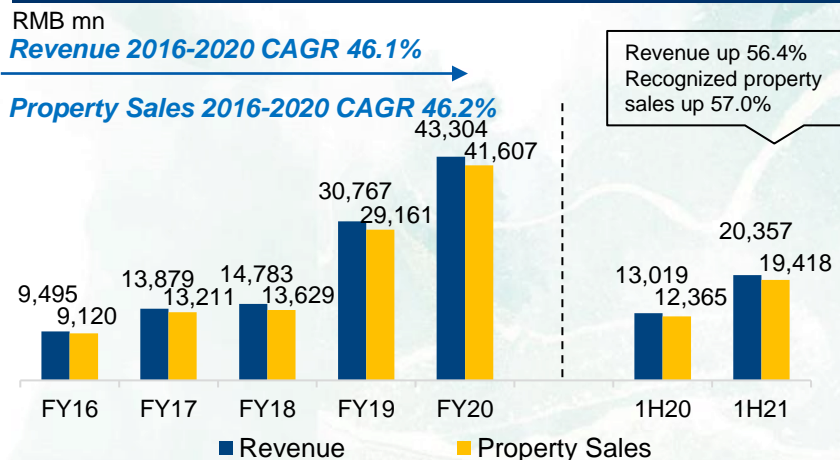
—●— DPS Growth    —▲— EPS Growth



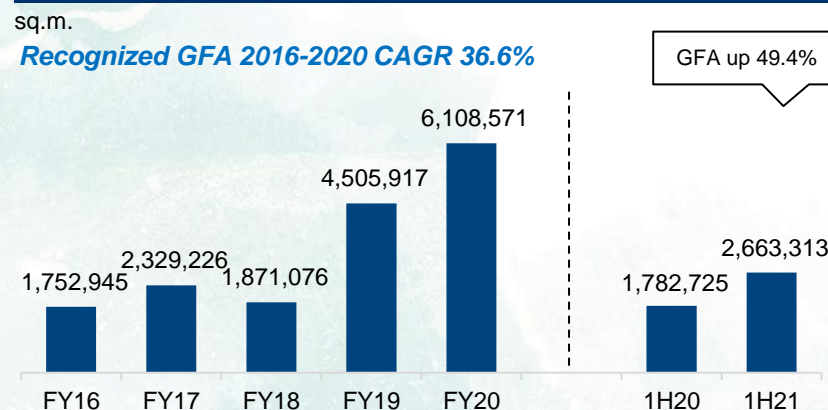
# Recognized Sales and GFA sold

▲ In 1H2021, revenue and recognized property sales increased as a result of the increase in recognized GFA and ASP

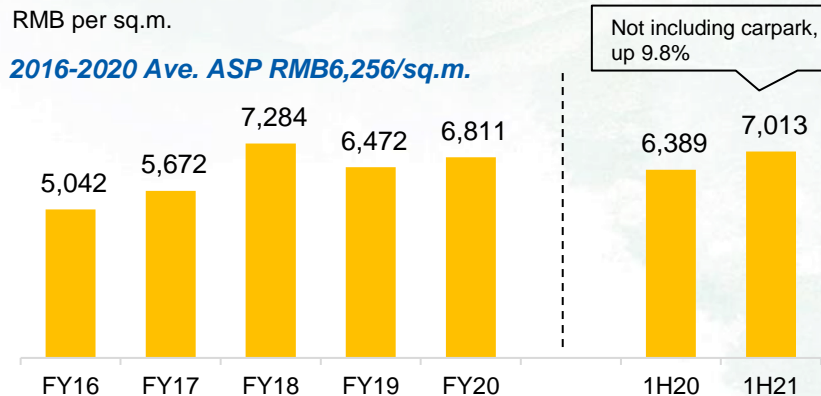
## Revenue and Property Sales



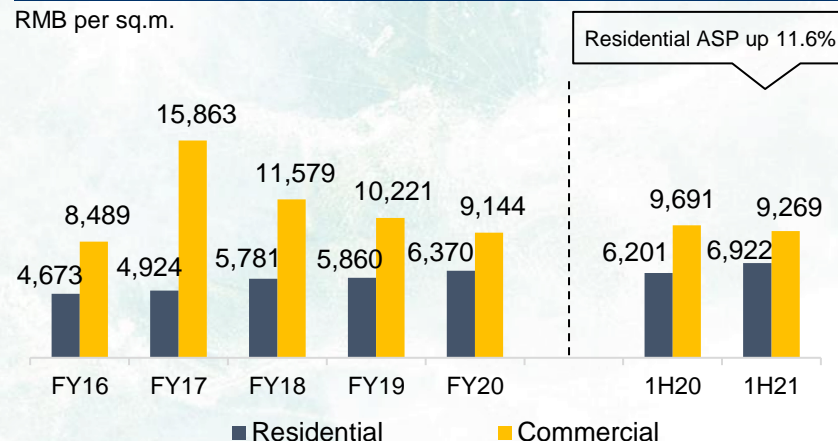
## Recognized GFA



## Recognized Average Selling Price



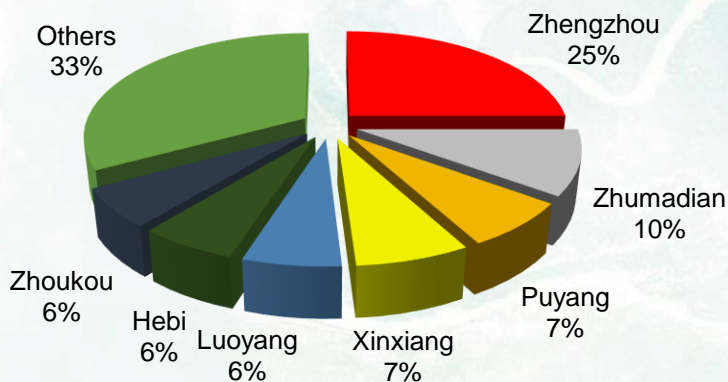
## Recognized ASP by Property Type



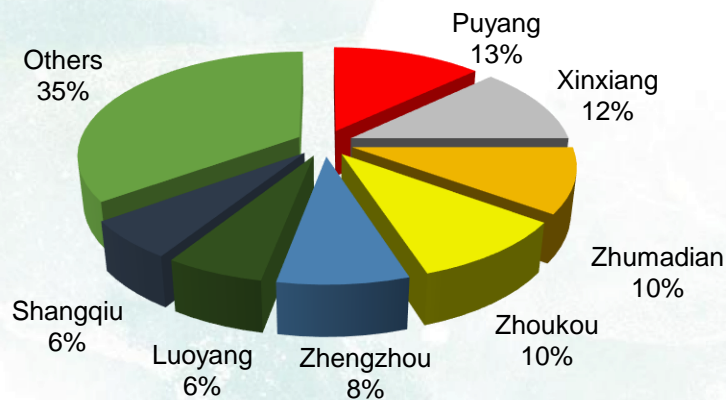
# Recognized Sales and GFA sold (Breakdown by Cities)

- ▲ Zhengzhou projects accounted 25% of total recognized sales to RMB4.7 bn, with average GP margin of 14%
- ▲ Tier 3 & 4 cities contributed 71% of total recognized sales with average GP margin of 17%
- ▲ County level cities accounted for 4% of total recognized sales with average GP margin of 7%

## Recognized Sales in 1H21

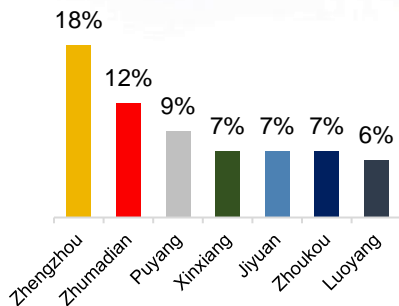


## Recognized Sales in 1H20

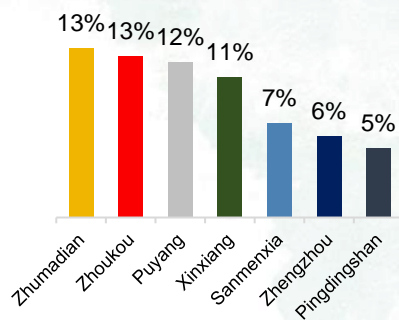


## Recognized GFA

### 1H 2021

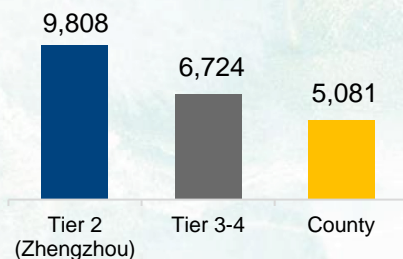


### 1H 2020

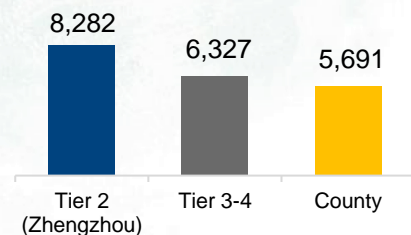


## Recognized ASP (excluding carpark)

### RMB per sq.m. 1H 2021



### 1H 2020

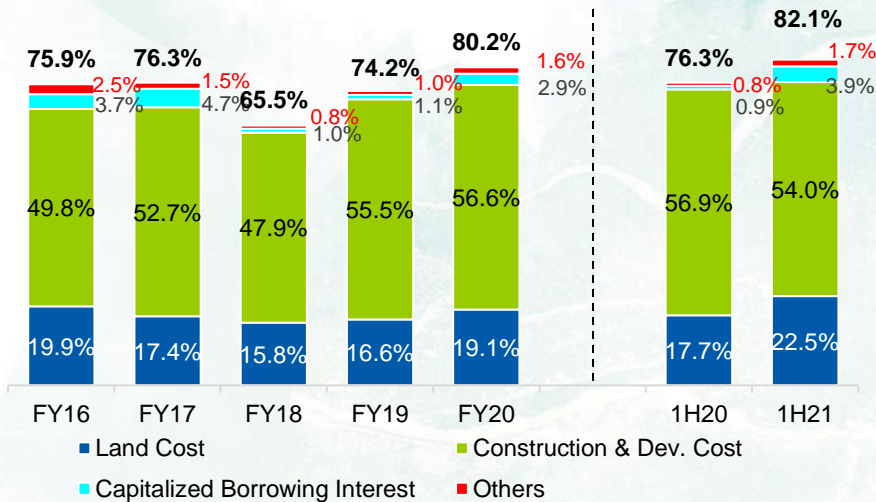




# Cost Analysis

## Cost of Sales (as % of revenue)

Stable cost structure

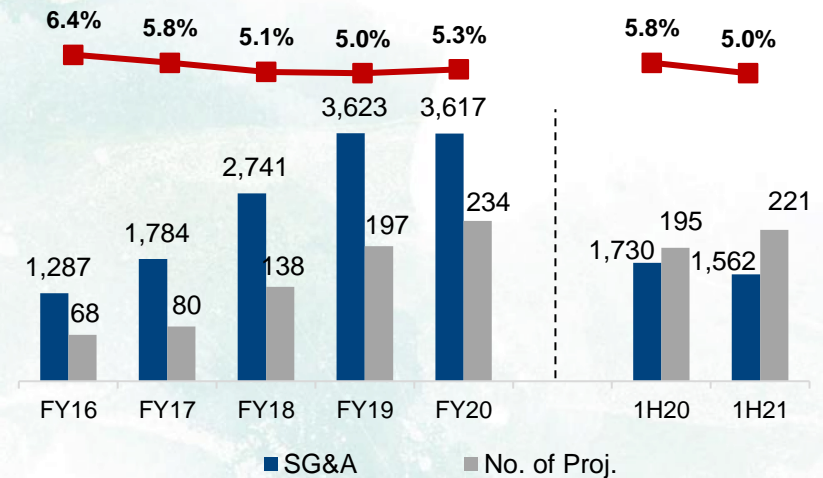


- ▲ In 1H21, cost of sales as percentage of revenue increased 5.8 p.p. to 82.1%
- ▲ Land acquisition costs as percentage of revenue has increased by 4.8 p.p. to 22.5% in 1H21

## SG&A (as % of contracted sales)

SG&A as % of contracted sales

RMB mn



- ▲ In 1H21, contracted sales increased by 3.5% yoy and the total SG&A as percentage of contracted sales decreased to 5.0%
- ▲ Selling & marketing expenses declined by 14.8% to RMB773 mn mainly due to decrease of RMB223 mn in title sponsorship of the football club as a means of promotion
- ▲ General & administrative expenses decreased by 4.1% to RMB789 mn

# Balance Sheet Highlights

- ▲ Achieved cash balance (incl. restricted cash) of RMB16.48 bn to cover 1.93 times short-term debt
- ▲ Total debt decreased by 9.6% to RMB28.29 bn
- ▲ Short-term debt decreased by 44.1% to RMB8.53 bn
- ▲ Total shareholders' equity decreased by 12.6% to RMB12.75 bn
- ▲ Book value per share decreased by 13.3% to RMB4.30

(RMB mn)	30 Jun 2021	31 Dec 2020	Change
Cash	10,872	22,619	-51.9%
Cash plus restricted deposit	16,480	29,327	-43.8%
Total assets	161,328	163,901	-1.6%
Total debt	28,293	31,304	-9.6%
Short-term debt	8,526	15,258	-44.1%
Net current assets	12,003	14,046	-14.5%
Total capitalization	41,045	45,886	-10.5%
Total shareholders' equity	12,752	14,582	-12.6%
Book value per share (RMB)	4.30	4.96	-13.3%

# Key Financial Ratios

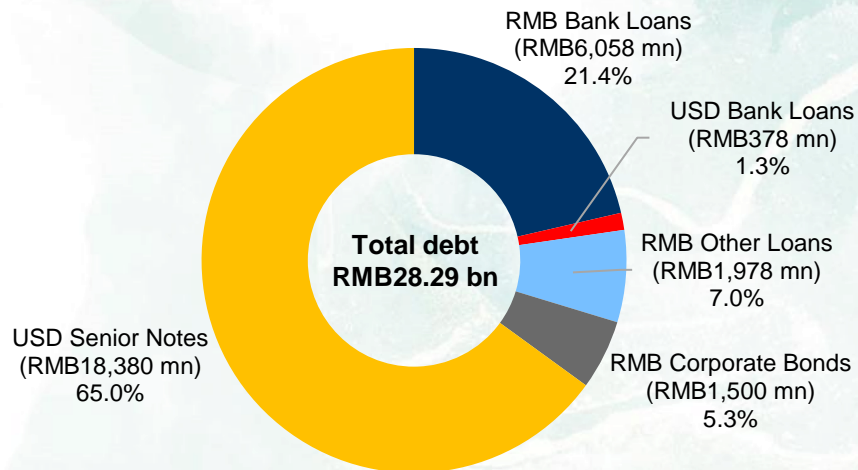
- ▲ Return on equity at 7.5% in 1H2021
- ▲ Asset turnover increased to 12.5% in 1H2021
- ▲ Net debt to equity ratio (including restricted cash) at 92.6%
- ▲ EBITDA/interest coverage ratio was 2.7 times in 1H2021
- ▲ Cash/short-term debt increased to 1.9 times

	1H2021	1H2020
Asset turnover	12.5%	8.5%
Return on equity	7.5%	6.1%
Return on assets	0.6%	0.5%
Net debt to total equity ratio (with restricted cash)	92.6%	34.8%
Net debt to total equity ratio (without restricted cash)	136.6%	76.9%
Total debt/total capitalization	68.9%	73.5%
Total liabilities/total assets	92.1%	92.0%
Current ratio	109.5%	111.1%
Cash/short-term debt (with restricted cash)	193.3%	163.6%
EBITDA/interest (times)	2.7x	2.4x

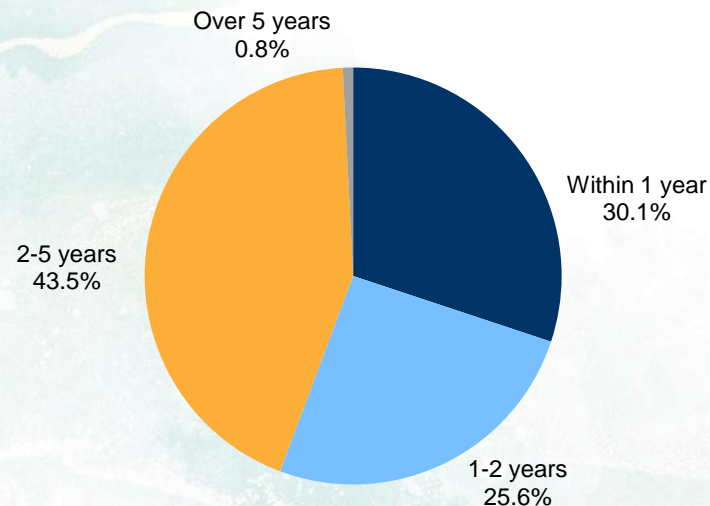


# Diversified Debt Profile

## Funding Source



## Debt Maturity with Short-term Debt Breakdown



- ▲ Diversified funding sources with 33.7% onshore debt and 66.3% offshore debt
- ▲ Maintained average debt maturity of 2.44 years as at 30 Jun 2021
- ▲ Stable average funding cost at 7.6% as at 30 Jun 2021 (31 Dec 2020: 7.4%)
- ▲ Undrawn on-shore banking facility line amounted to RMB23.7 bn as at 30 Jun 2021
- ▲ Issued first USD260mn Green Bond in January 2021; and redeemed a total of USD700mn Senior Notes in February and March 2021 respectively

# Cash Flow Highlights

- Recorded net cash outflow of RMB11.8 bn in 1H21 due to lower cash collection and debt reduction
- Total contracted sales receipts amounted to RMB21.6 bn, achieved cash collection ratio of 69.4%
- Cash balance of RMB10.9 bn (without restricted cash) as at 30 June 2021

(RMB mn)		1H21 (Actual)	1H20 (Actual)	YoY Change
<b>Beginning cash position (without restricted cash)</b>		<b>22,619</b>	22,708	
<b>Inflow</b>	Contract sales receipts	<b>21,560</b>	31,510	-31.6%
	Amount obtain/repaid to JCEs & Other working capital movement	<b>(665)</b>	(7,829)	-91.5%
	Bank & other loans, restricted cash inflow/(outflow)	<b>(1,488)</b>	(3,633)	-59.0%
	Issuance of Senior Notes	<b>3,009</b>	6,495	-53.7%
<b>Total Cash Inflow</b>		<b>22,416</b>	<b>26,543</b>	-15.5%
<b>Outflow</b>	Land acquisition related cashflow	<b>(8,520)</b>	(4,380)	94.5%
	Construction costs	<b>(11,770)</b>	(10,600)	11.0%
	Redemption of Senior Notes	<b>(4,543)</b>	(2,177)	108.7%
	Repayment of corporate bonds	<b>(1,500)</b>	--	--
	Finance costs	<b>(1,630)</b>	(1,350)	20.7%
	SG&A expenses	<b>(2,503)</b>	(2,704)	-7.4%
	Tax	<b>(1,727)</b>	(1,676)	3.0%
	Dividend	<b>(663)</b>	(808)	-17.9%
	Net cash distributed in respect of distribution in specie	<b>(1,307)</b>	--	--
<b>Total Cash Outflow</b>		<b>(34,163)</b>	<b>(23,695)</b>	44.2%
<b>End cash position (without restricted cash)</b>		<b>10,872</b>	25,555	-57.5%

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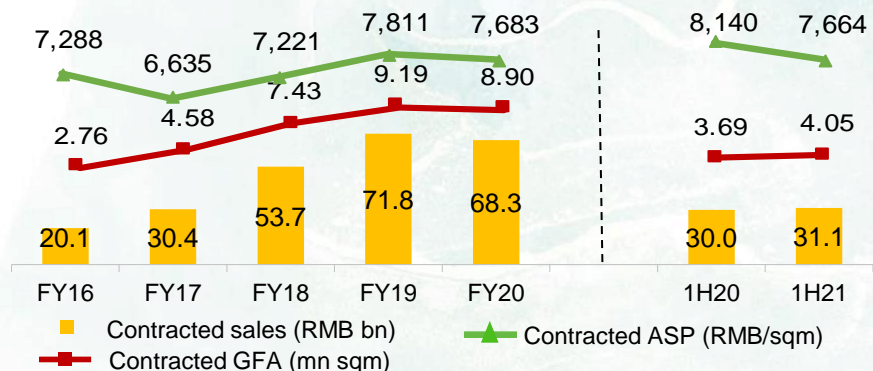
# Contracted Sales – Market Leader

- ▲ Achieved market share of 7.3% in Henan in 1H21
- ▲ Contracted sales up 3.5% to RMB31.1 bn, achieving 44.4% of revised FY2021 sales target of RMB70.0 bn
- ▲ Achieved sell-through rate of approximately 54% in 1H21 (vs 48% in 1H20), on RMB57.3 bn saleable resources in 1H21
- ▲ Contracted sales GFA up 9.9% to 4.05 mn sq.m., with 62% attributable from tier 3&4 and county level cities
- ▲ ASP dropped by 5.8% to RMB7,664 /sq.m., on change of product mix

## Contracted Sales & GFA & ASP

Sales 2016-2020 CAGR 35.8%

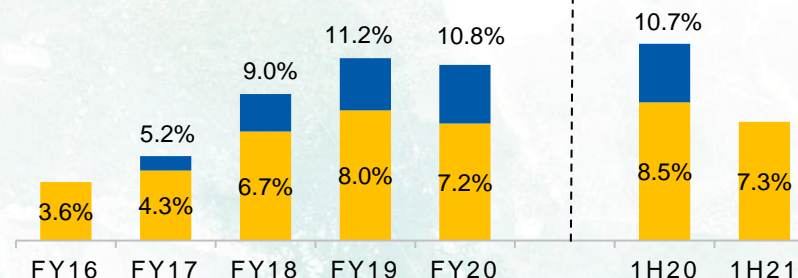
GFA 2016-2020 CAGR 34.0%



## Market Shares in Henan Province (a)

■ Heavy Asset ■ Light Asset

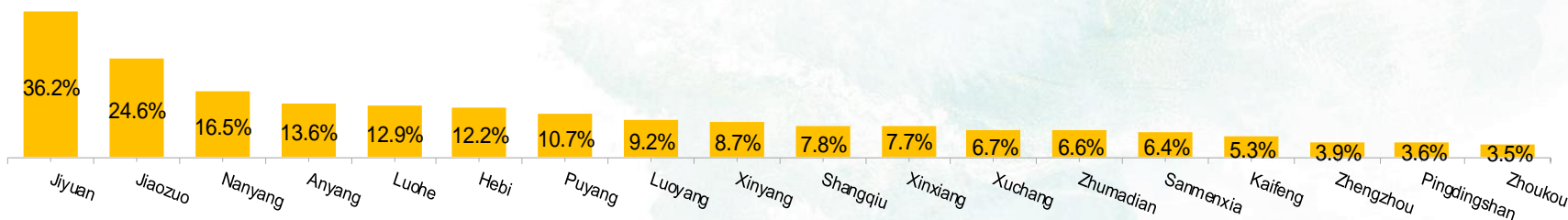
In 1H21 Henan property sales was up 19.2% while CCRE property sales increased by 3.5%



## Market Share in Selected Cities (b)

% Market Share

■ Heavy Asset



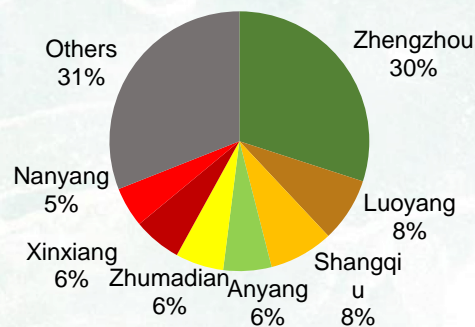
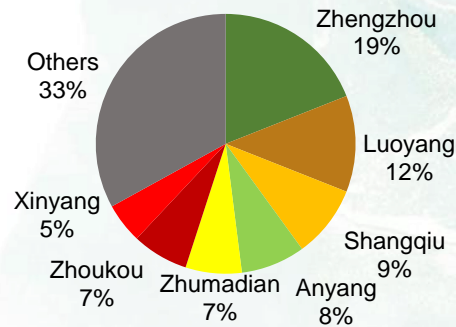
# Contracted Sales Drivers in 1H2021

- Contracted sales were highly diversified across 79 cities and 221 diversified projects
- Contracted sales from Zhengzhou was RMB5.8 bn, accounted for 19% of total contracted sales in 1H21
- Tier 3/4 accounted for 62% of sales (vs 45% in 1H20), and county level accounted for 19% of sales (vs 25% in 1H20)
- Sales from properties with ASP less than 11,000 was at 76% in 1H21 reflecting high affordability
- Properties size between 90 to 144 sq.m. accounted for 71% of contracted sales in 1H21

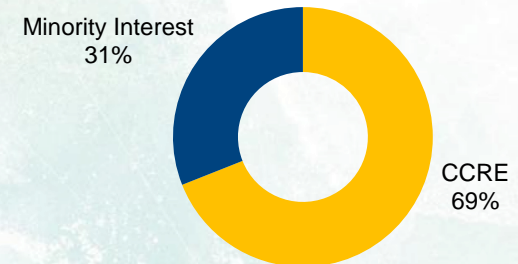
## Contracted Sales by Cities

1H21

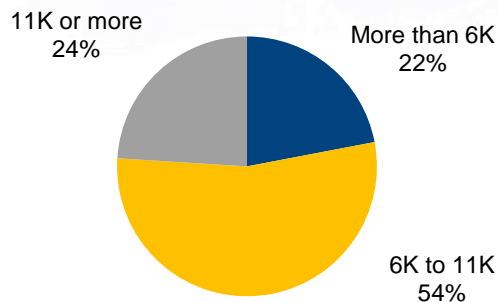
1H20



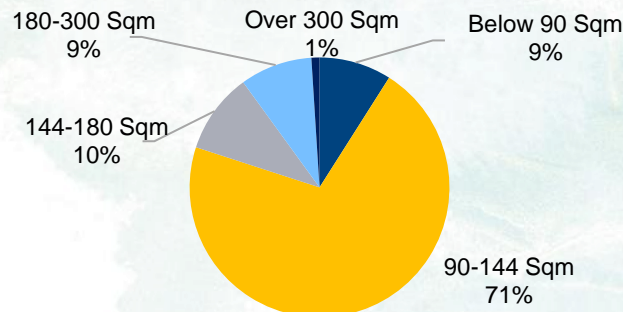
## By Attributable Interest



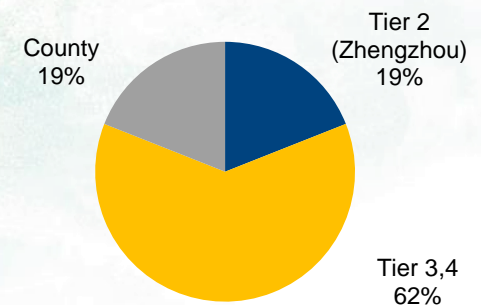
## By ASP



## By Unit Size



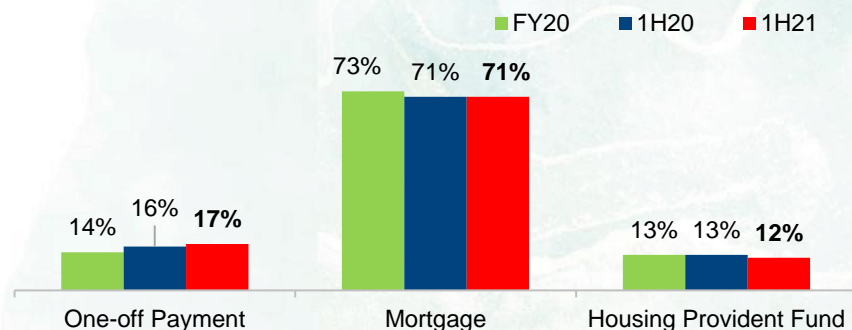
## By City Level



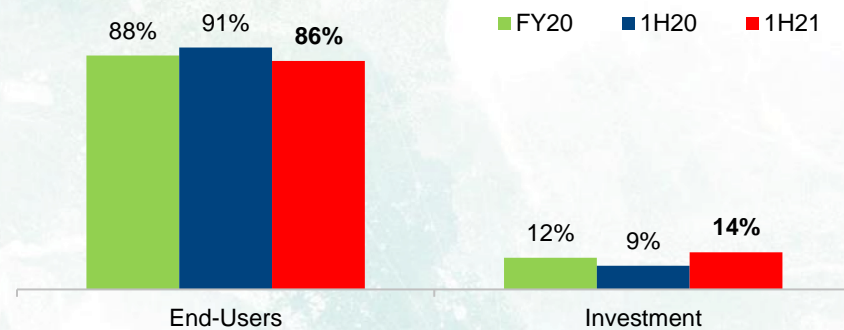
# Customer Distribution

- Customer base consists of 86% end-users, with 96% were local buyers from Henan
- Cash payment buyers at 17%, mortgage payment buyers is higher at 71%, and buyers using HPF at 12%
- Affordable pricing with 80% of property unit sold under RMB1 million reflecting end-user market demand
- The number of units sold above RMB1 million was stable at 20% in 1H21

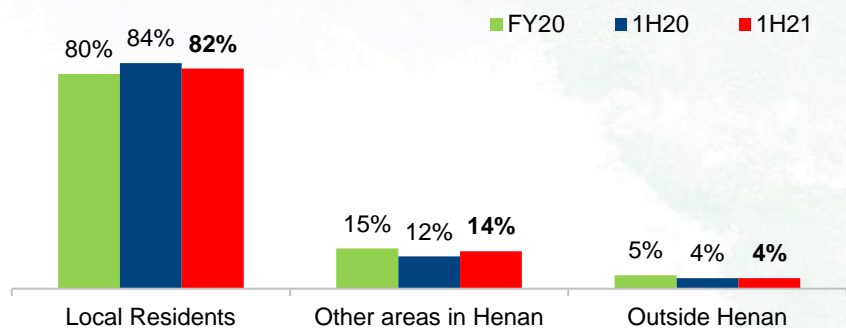
## Breakdown of Purchasers by Payment Method



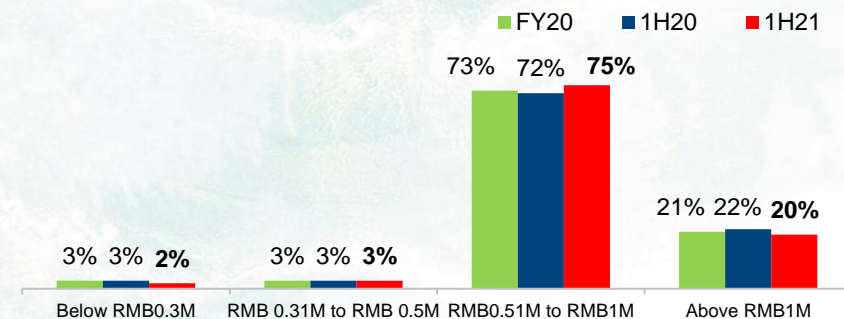
## Breakdown of Purchasers by Usage



## Breakdown of Purchasers by Region



## Breakdown of Purchasers by Selling Price

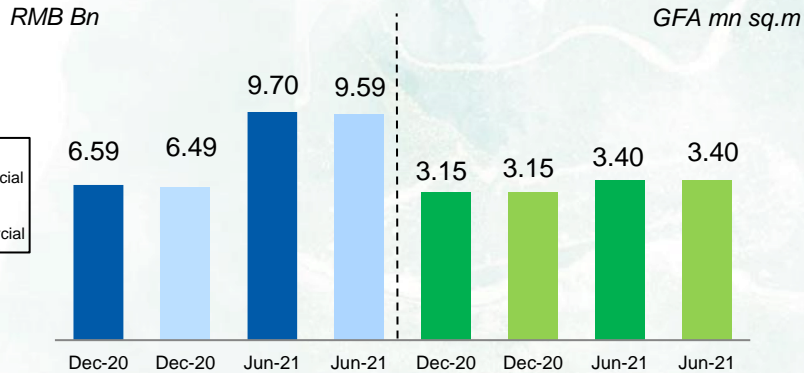




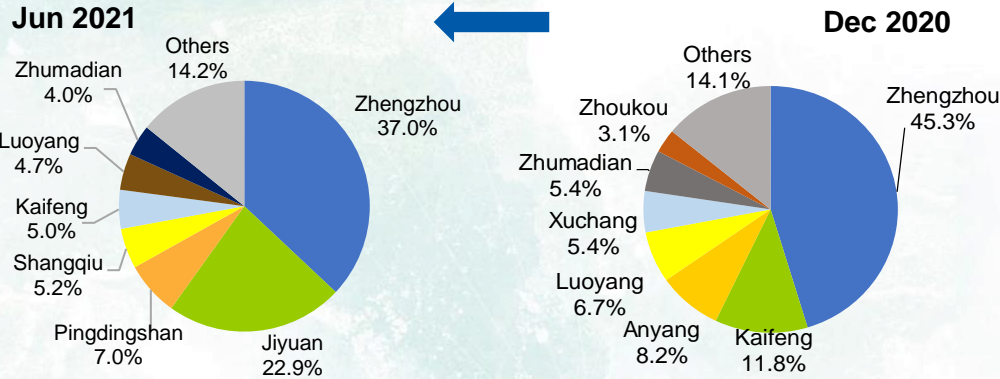
# Inventory Analysis

- On 30 June 2021, completed properties held for sales amounted to RMB9.7 bn
- Total saleable inventory decreased by 20.7% to RMB26.2 bn as of 30 June 2021
- Saleable inventory in Zhengzhou amounted to RMB9.5 bn, representing 36% of total saleable inventory
- 77% of saleable inventories are residential properties and 12% is commercial (by GFA)
- 48% of inventory aged within 1 year, while 80% of inventory aged within 3 years

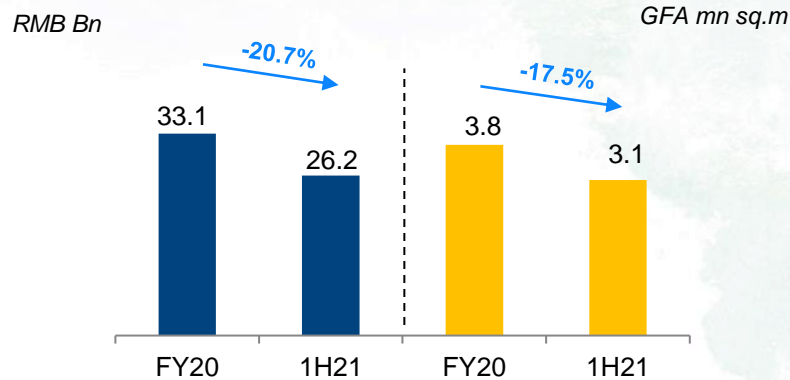
## Completed Properties Held for Sales



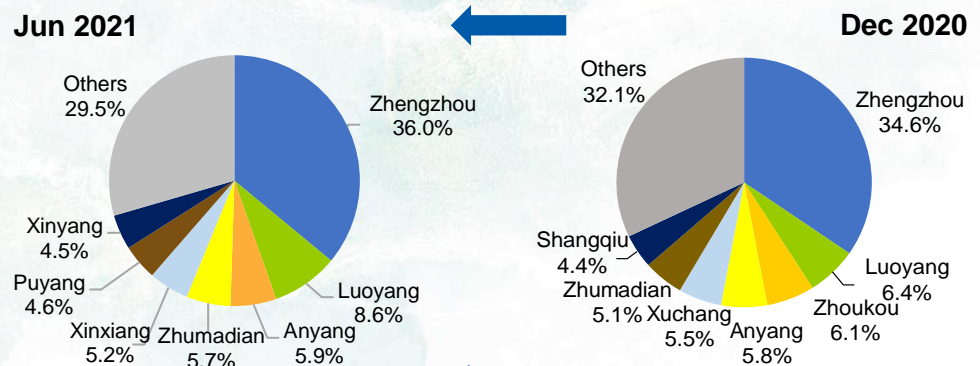
## Breakdown of Completed Properties Held for Sales



## Total Saleable Inventory



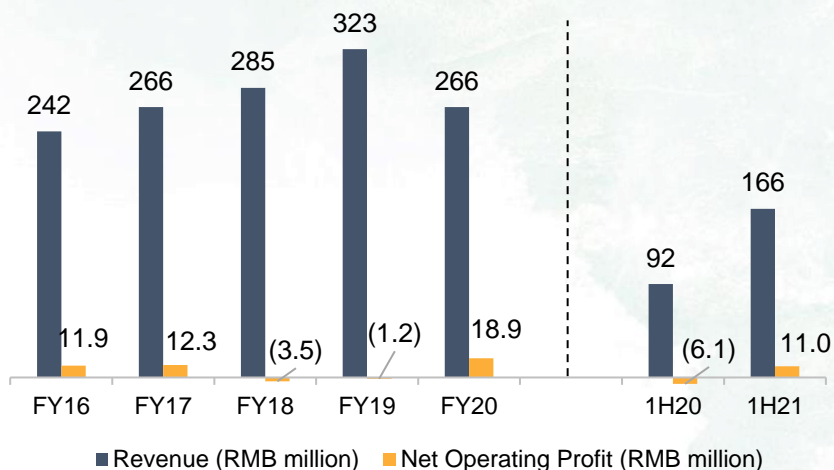
## Breakdown of Total Saleable Inventory in RMB by City



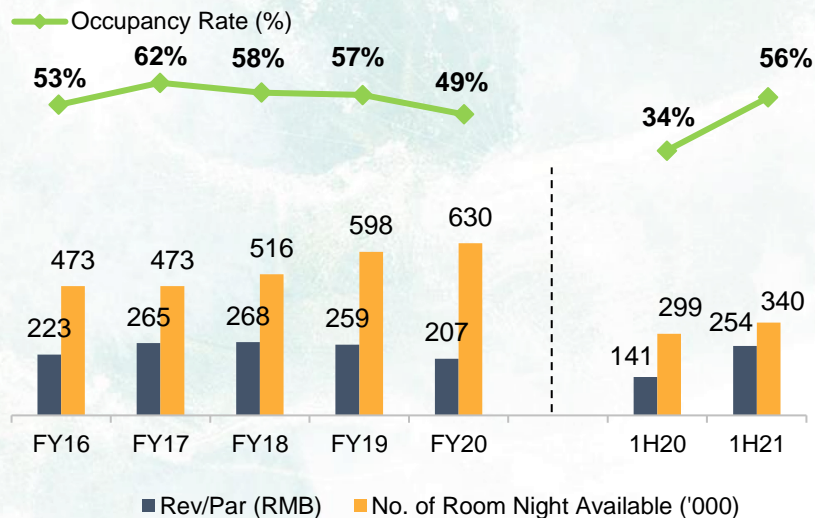
# Hotel Operations

- ▲ 1H21 revenue from hotel operations increased by 79.0% y-o-y to RMB166 mn, with GPM of 40.6%
- ▲ Room revenue increased by 98.9% y-o-y to RMB82.0 mn, while F&B revenue increased by 63.4% y-o-y to RMB84.0 mn
- ▲ Average occupancy rate increased to 56% in 1H21 (1H20: 34%)
- ▲ Rev Par was RMB254 /room, up 80.1% y-o-y
- ▲ Net operating profit was RMB11.0 mn vs 1H20 loss of RMB6.1 mn, with six out of ten hotels recording operating profit
- ▲ In 1H21, net loss from hotel operation was at RMB69.7 mn (1H20: loss of RMB106mn) as a result of asset depreciation

## 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	58%	21 p.p.	117	+70.1%	2011 Aug
Holiday Inn Nanyang	353	50,574	56%	29 p.p.	213	+119.6%	2012 Aug
Four Points by Sheraton Luohe	244	37,398	61%	20 p.p.	203	+59.8%	2012 Nov
Le Méridien Zhengzhou	337	64,721	74%	32 p.p.	430	+91.2%	2013 Oct
Pullman Kaifeng Jianye	186	43,836	47%	24 p.p.	329	+113.8%	2015 Nov
Yanling Jianye The MIST Hot Spring Hotel	51	19,951	26%	17 p.p.	477	+235.6%	2018 Feb
Zhengzhou Jianye Sky Mansion	302	34,252	60%	26 p.p.	229	+65.0%	2018 Oct
Yuzhou Jianye Starry Hills	24	1,657	44%	38 p.p.	67	+71.8%	2019 Oct
Xinyang Jianye Starry Hills	89	7,878	17%	--	141	--	2020 Jul
Unique in Henan Hotel	400	32,040	27%	--	111	--	2021 Jun
<b>Total / Average</b>	<b>1,758</b>	<b>311,764</b>	<b>56%</b>	<b>22 p.p.</b>	<b>254</b>	<b>80.1%</b>	



## Light Asset Business – Central China Management Company Ltd (9982.HK)

- Completed the spin-off and separately listing of Central China Management Company Limited (CCMC) on 31 May 2021
- For the period ended 30 May 2021\*, revenue contribution from the light asset model business was up 22.6% y-o-y to RMB566 mn
- As of 30 May 2021, CCMC signed 41 new projects, with a contracted GFA of 4.59 mn sq.m.
- As of 30 May 2021, CCMC had 243 projects under management, with an area under management of 29.56 mn sq.m.; amongst which 19 of them were located outside Henan, in Hainan, Xinjiang, Shanxi, Shaanxi, Hebei and Anhui

### Unlock Brand Value

#### Target Customer

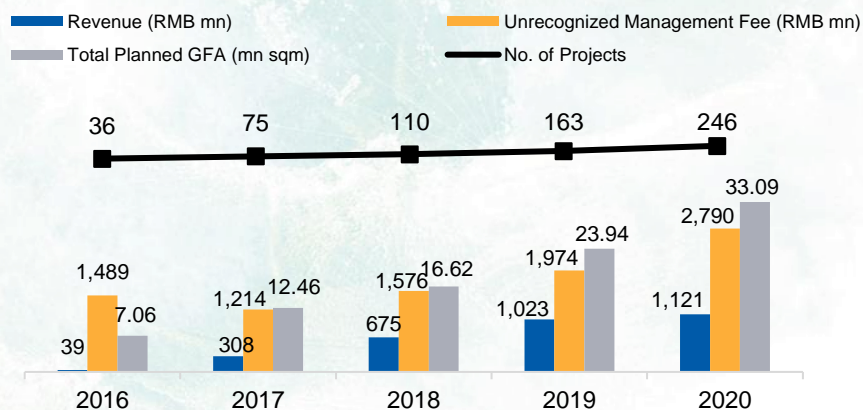
- High quality land owner
- Sufficient capital provided
- Highly recognized CCRE's culture
- Manageable market risk

#### Competitive Strength

- CCRE is the renown regional developer in Henan with high recognition and brand value
- CCRE has thorough management system and diversified market oriented products

### Fee Structure

- Average Basic Management Fee: RMB214 /sq.m.
- Incentive Fee: 10-20% of selling price premium over pre-set ASP



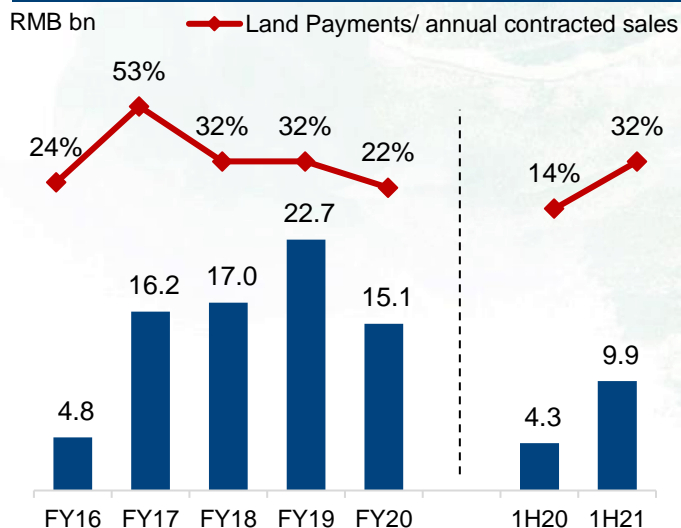
# Agenda

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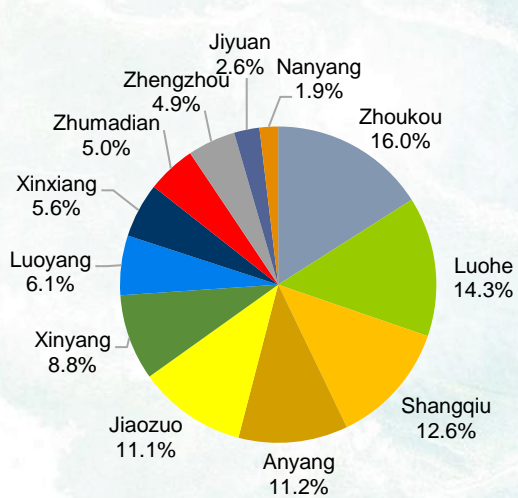
# Land Acquisition in 1H2021

- ▲ In 1H21, acquired 6.63 mn sq.m. of new land bank at an average cost of RMB1,488/sq.m
- ▲ In 1H21, total land premium was RM9.9 bn, supported by strong contracted sales and cash collection, accounted for 32% of 1H21 contracted sales of RMB31.1 bn
- ▲ Low land cost per sq.m. represents 19% of the contracted sales ASP of RMB7,664 /sq.m in 1H2021
- ▲ Consistent with the Group's strategy of controlling land cost, 81% (by GFA) of the new land in 1H21 was acquired through equity acquisition or cooperation
- ▲ Attributable interest of the new land acquired was as high at 64%

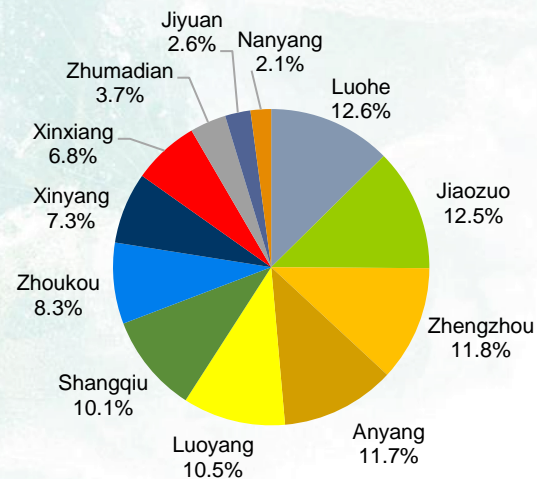
**Total Land Premium and Total Land Premium as % of Contracted Sales**



**Land Acquisition by cities in 1H21 (by GFA)**



**Land Acquisition by cities in 1H21 (by RMB Mn)**



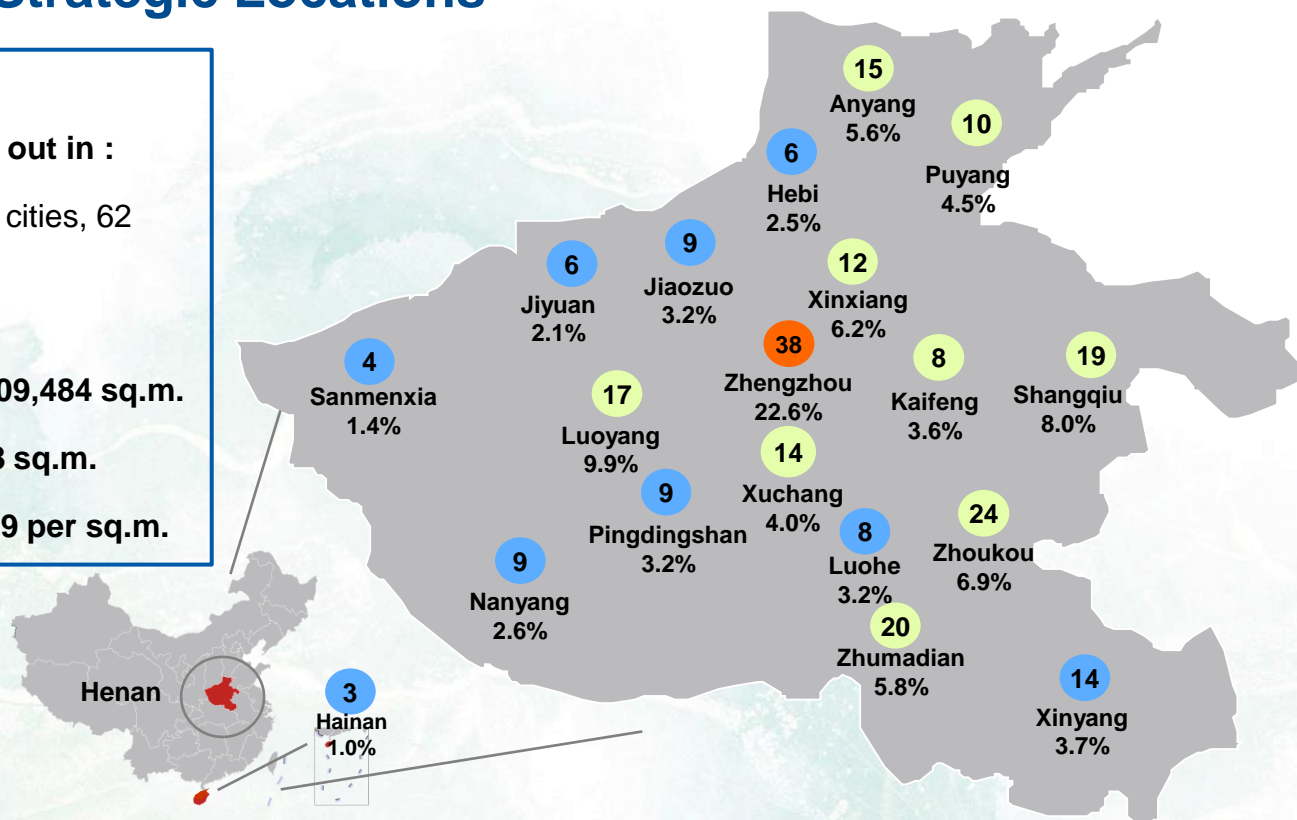


# Land Reserves in Strategic Locations

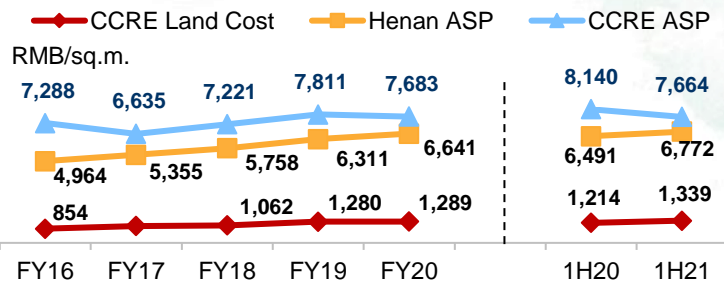
**As at 30 June 2021:**

**CCRE has 243 projects spread out in :**

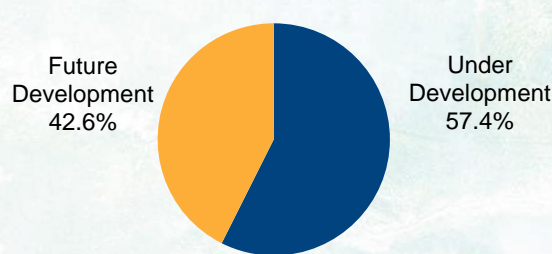
- ▲ 240 projects in 18 prefecture cities, 62 county-level cities in Henan
- ▲ 3 projects in Hainan
- ▲ Total GFA of land bank: **56,209,484 sq.m.**
- ▲ Attributable GFA: **40,820,138 sq.m.**
- ▲ Average land cost: **RMB1,339 per sq.m.**



## Higher ASP vs Lower Land Cost to Secure Profit

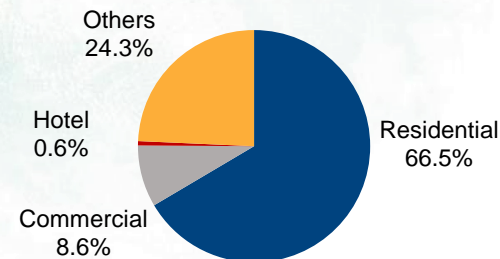


## Development Stage



**80% of land use rights obtained**

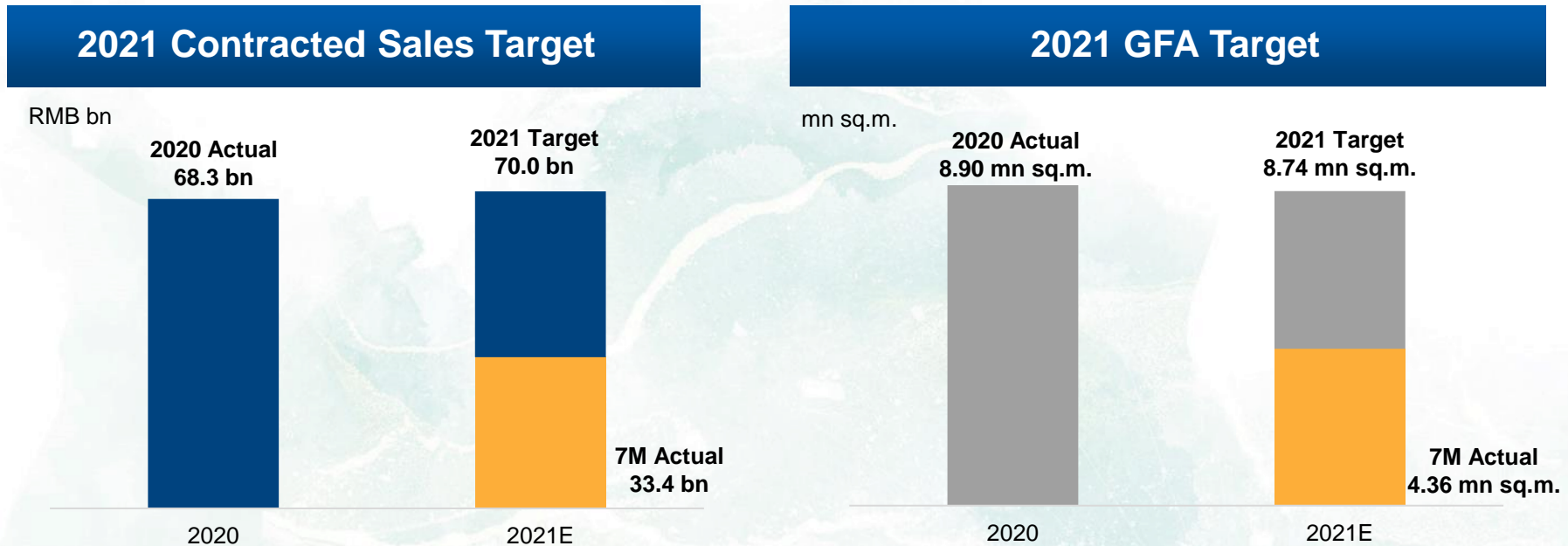
## Property Type



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# 2021 Contracted Sales Targets



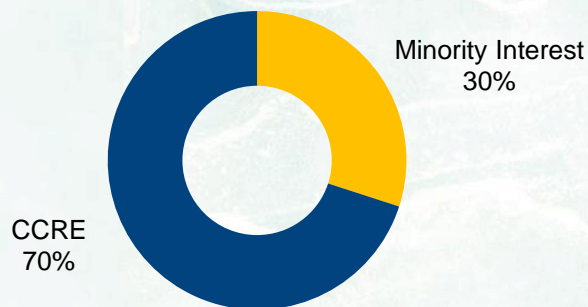
- ▲ Revised 2021 contracted sales target to RMB70.0 bn from RMB80.0 bn
- ▲ Revised 2021 contracted sales GFA to 8.74 mn sq.m. from 9.93 mn sq.m.
- ▲ Achieved contracted sales of RMB33.4 bn as at 31 July 2021, flat yoy, achieved 47.7% of annual sales target
- ▲ Contracted sales GFA reached 4.36 mn sq.m. up 5.1% as at 31 July 2021
- ▲ ASP for 7M2021 at RMB7,656 /sq.m., down 4.8% yoy
- ▲ Estimated total saleable resources of approximately RMB68.8 bn in 2H21, including existing inventory (RMB26.2 bn) & new launches in 2H21 (RMB42.6 bn)
- ▲ In 2H21, to achieve the contracted sales target, requires a sell-through rate of approximately 57%



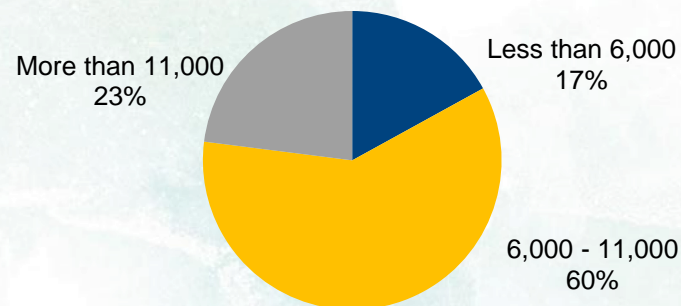
# 2H2021 Contracted Sales Plan

- 2H21 contracted sales is well diversified across 80 cities 228 projects in Henan with diverse price range
- Expect sales from Zhengzhou to account for 17% of total sales
- Contribution from tier 3/4 cities will be around 64%
- Expect sales from 62 county-level cities projects to remain at around 19% in 2H21
- Affordable ASP, expect 77% of contracted sales from projects with ASP less than RMB11,000/sq.m.

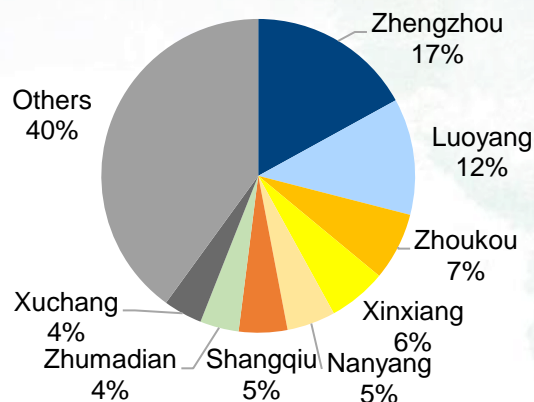
### By Attributable Interest



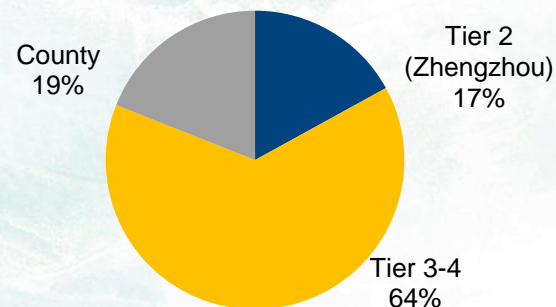
### By ASP



### By Cities



### By Level Contribution



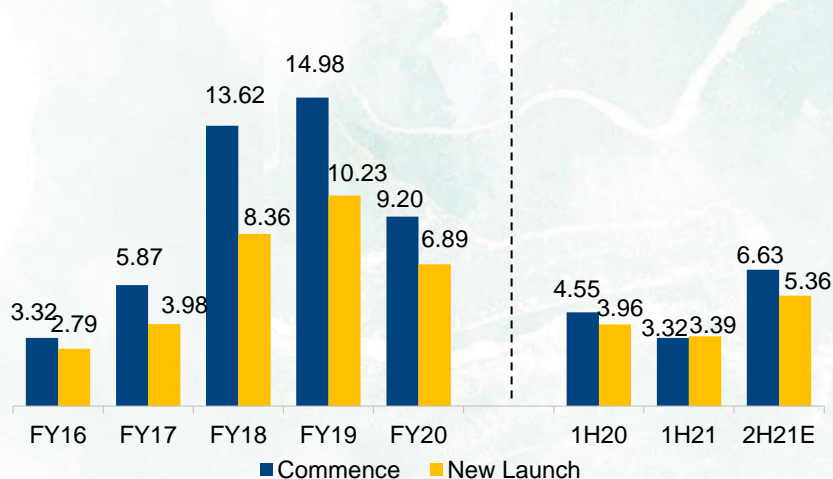
# 2021 Development Plan

## Commence & New Launch GFA

mn sq.m.

2016-2020 Commence GFA CAGR 29.0%

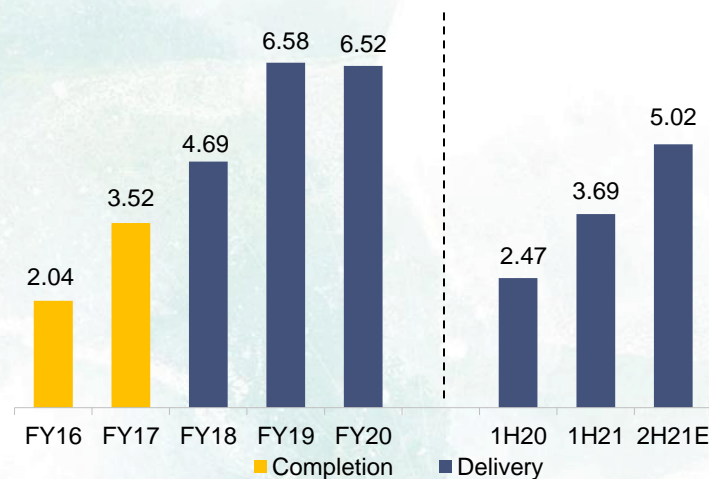
2016-2020 New Launch GFA CAGR 25.4%



## Completion and Delivery

mn sq.m.

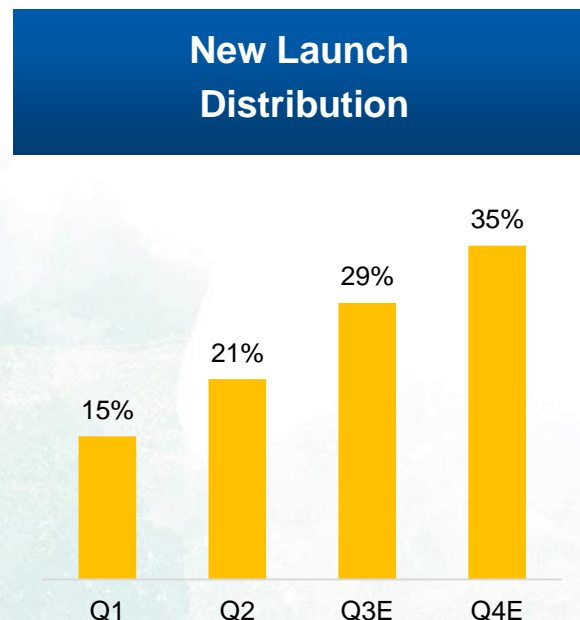
Expected FY21 delivery 8.71 mn sq.m. up 33.5% yoy



- 2H21 plan to commence GFA construction of 81 projects with GFA of 6.63 mn sq.m.
- 2H21 plan to launch 130 projects/phases with GFA of 5.36 mn sq.m.
- 2H21 estimate to deliver 56 projects with GFA of 5.02 mn sq.m.
- The company expects the development plan will support the contracted sales plan in 2H21

# Major Project Launch in 2H2021

Item	City	Project	Estimated Launch (RMB mn)
1	Puyan	Puyang Sky Mansion	756
2	Zhengzhou	Zhengzhou Riverside House	710
3	Zhengzhou	Xinzheng Lanhai Zhengfeng	700
4	Luohe	Luohe Shuxiangfu	675
5	Nanyang	Nanyang Longyue City	664
6	Zhoukou	Zhoukou Jianye City	560
<b>Total</b>			<b>4,066</b>



- ▲ The estimated saleable resource from the new project launch will be approximately RMB42.6 bn
- ▲ In 2H21, estimated 130 projects/phases to be launched
- ▲ Top 6 major projects launch will account for 10% of 2H21 new launch sales value
- ▲ Zhengzhou projects will account for 7% of new launch in sales value and 4% of GFA new launch
- ▲ New projects to be launched in major cities includes Luoyang (12%), Zhoukou (7%), Xinxiang (7%), Zhoukou (7%) and Nanyang (7%) (as proportion of 2H new launch sales value)



# Major Project Launch in 2H2021

## Puyang Sky Mansion 濮阳建业天筑



- GFA: 294,490 sq.m.
- Location: southwest corner of the intersection of Weidu Avenue and Jindi Road, Puyang City
- Surrounding: school, library, hospital
- Product: High-rise, Mid-rise (some furnished), Houses
- Estimate ASP: TBC
- Land cost: RMB3,064/sq.m.

## Luoyang Honour Mansion 洛阳建业旭辉·尊府



- GFA: 96,282 sq.m.
- Location: intersection of Zhoushan Avenue and Sunshi Road, Hi-Tech Zone
- Surrounding: convenient transportation network; schools, medical care, park; adjacent to metro line 1
- Product: High-rise
- Estimate ASP: RMB12,500/sq.m.
- Land cost: RMB4,869/sq.m.

## Zhumadian Boshan Mansion 驻马店薄山府



- GFA: 131,407 sq.m.
- Location: Southwest of the intersection of Jiaotong Road and Boshan Road, Zhumadian
- Surrounding: Network of kindergarten, primary and high schools, hospital
- Product: Mid-rise
- Estimate ASP: RM7,800/sq.m.
- Land cost: RM2,083/sq.m.

## Shangqiu Jiangshan Mansion 商丘江山府



- GFA: 319,525 sq.m.
- Location: south of the intersection of Songcheng Road and Yangguang Road, Suiyang District, Shangqiu Surrounding : Chunhui Outlets, Riyuehu CBD, Wanda Plaza, hospital, school
- Product: High-rise, Houses (bare shell)
- Estimate ASP: High-rise RMB7,500/sq.m.; Houses 10,000/sq.m.
- Land cost: RM1,640/sq.m.

# Cash Flow Forecast for 2H2021 (Updated on 31 Aug 2021)

- ▲ Continue to be prudent with cash flow management, estimate a positive net cash inflow of RMB9.1 bn in 2H21
- ▲ 2H21 land acquisition budget of RMB3.0 bn, estimate FY21 land acquisition budget of RMB11.5 bn, with total unpaid land premium of RMB760 mn
- ▲ Construction expenditure budget for 2H21 is RMB7.0 bn, estimate FY21 construction budget of RMB18.8 bn
- ▲ Estimate cash balance of RMB20.0 bn (without restricted cash) at the year end of 2021

(RMB mn)		2H21 Budget
<b>Beginning cash position (without restricted cash)</b>		<b>10,872</b>
<b>Inflow</b>	Contracted sales receipts	31,440
	Amount obtain/repaid to JCEs & Other working capital movement	(5,582)
	Cash inflow/(outflow) from borrowings	822
<b>Total Cash Inflow</b>		<b>26,680</b>
<b>Outflow</b>	Land acquisition	(3,000)
	Construction costs	(7,000)
	Redemption of Senior Notes	(2,592)
	Finance costs	(1,610)
	SG&A	(949)
	Taxes	(2,021)
	Dividend	(360)
<b>Total Cash Outflow</b>		<b>(17,532)</b>
<b>Ending cash position (E) (without restricted cash)</b>		<b>20,020</b>

# Agenda

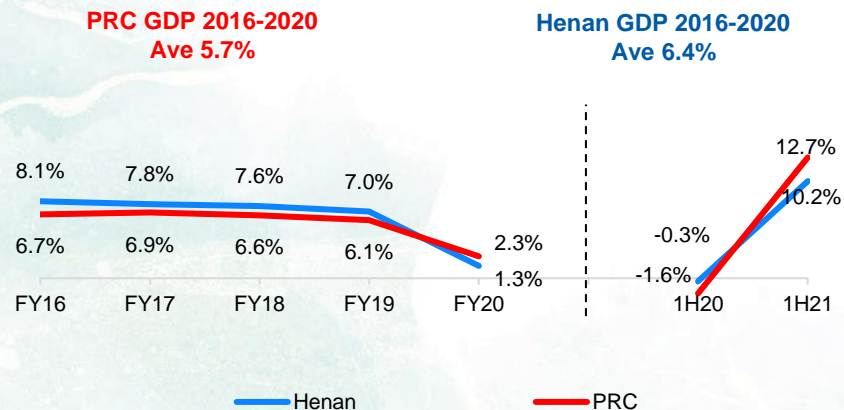
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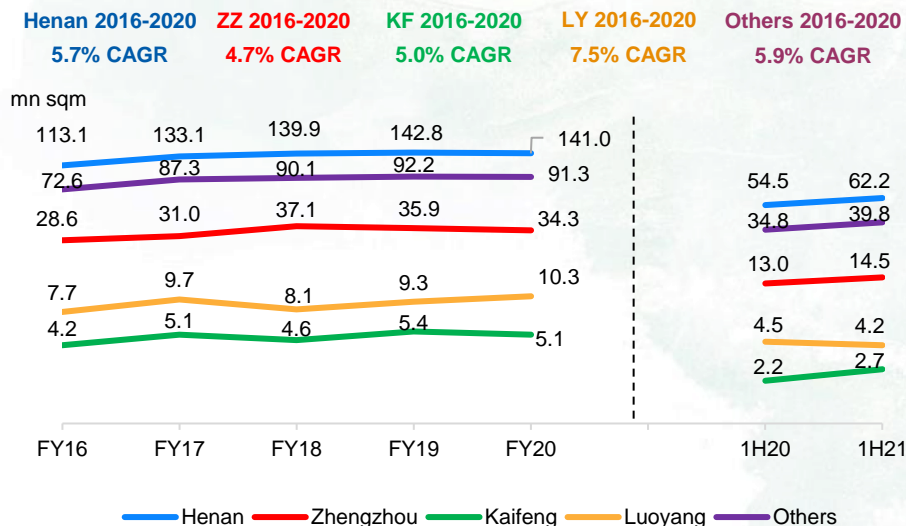
# Market Review

- ▲ In 1H21, Henan's GDP reached RMB2.9 trillion (5.4% of China's total GDP), achieving real GDP growth of 10.2%, vs the national growth rate of 12.7%
- ▲ In 1H21, in terms of GFA sold, Henan property market was up 14.3% y-o-y to 62 mn sq.m., while national property GFA sold grew by 27.7%
- ▲ All the prefecture cities in Henan recorded growth in GFA, sold, Zhengzhou's GFA sold increased by 11.2%
- ▲ Some tier 3 & 4 cities in Henan are displaying strong volume growth, for example, Zhoukou +32.1%, Luohe +31.7%, Pindingshan +26.3%

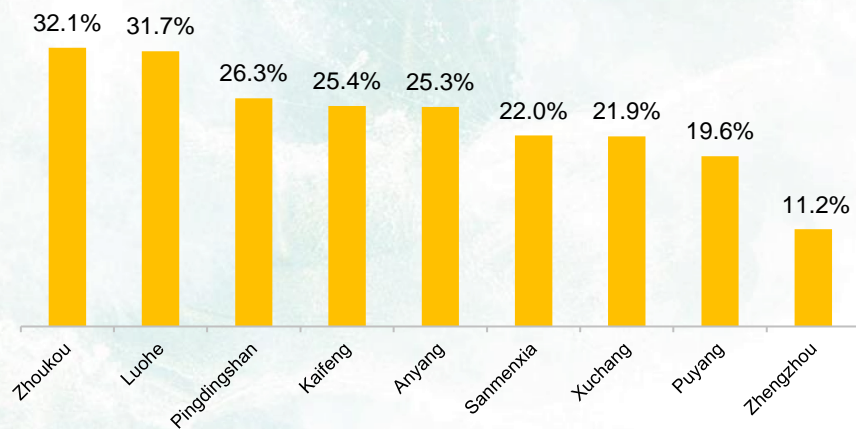
## Above Average Real GDP Growth



## Contracted Sale GFA



## 1H21 Contracted GFA Sold Growth by Cities

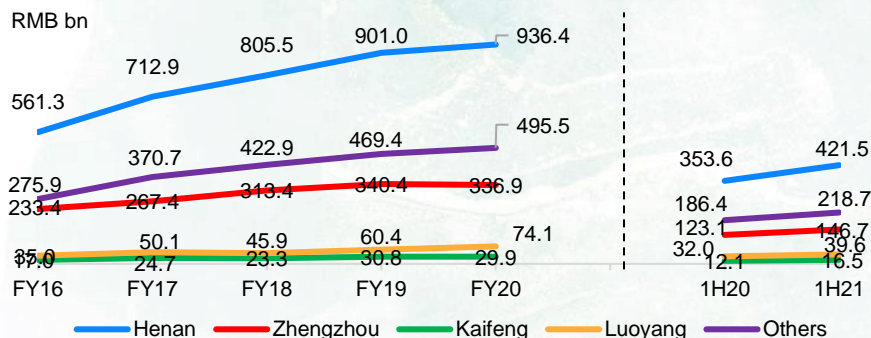


# Market Review (cont'd)

- ▲ In 1H21, Henan total contracted sales increased by 19.2% y-o-y to RMB421.5 bn (4.5% of China's total contracted sales) vs nationwide growth rate of 38.9% y-o-y
- ▲ Henan's ASP grew by 4.3% y-o-y to RMB6,772/ sq.m. vs nationwide ASP growth of 8.8% to RMB10,485 /sq.m.
- ▲ Some tier 3,4 cities in Henan recorded strong growth, such as Zhoukou +44.9%, Kaifeng +36.4%, Puyang +32.2%
- ▲ Zhengzhou contracted sales increased by 19.2% y-o-y, representing 34.8% of the Henan property market, with ASP increasing by 7.2% y-o-y to RMB10,115/sq.m.

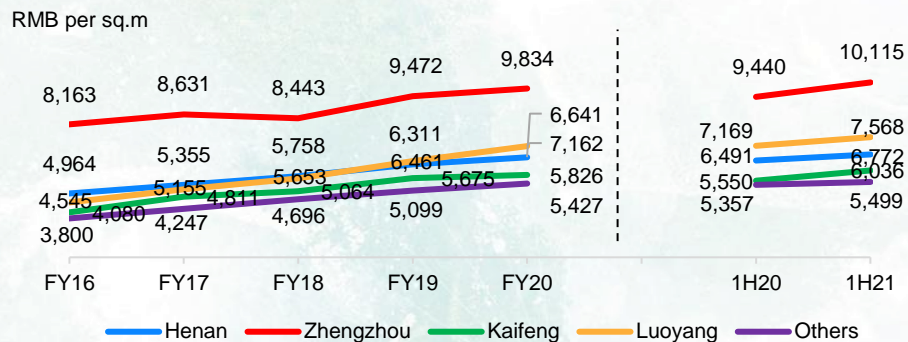
## Contracted Sales

Henan 2016-2020 **13.7% CAGR**    ZZ 2016-2020 **9.6% CAGR**    KF 2016-2020 **20.6% CAGR**    LY 2016-2020 **20.6% CAGR**    Others 2016-2020 **15.8% CAGR**

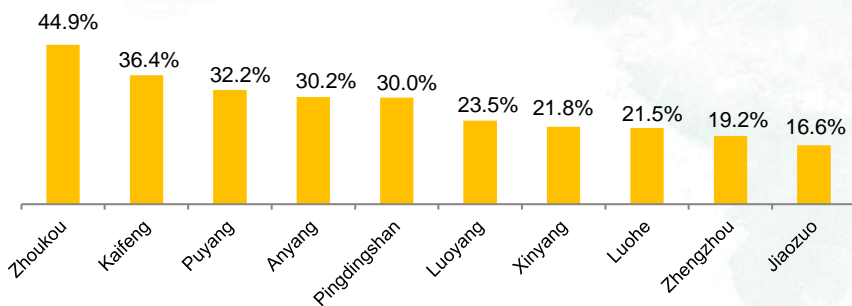


## ASP

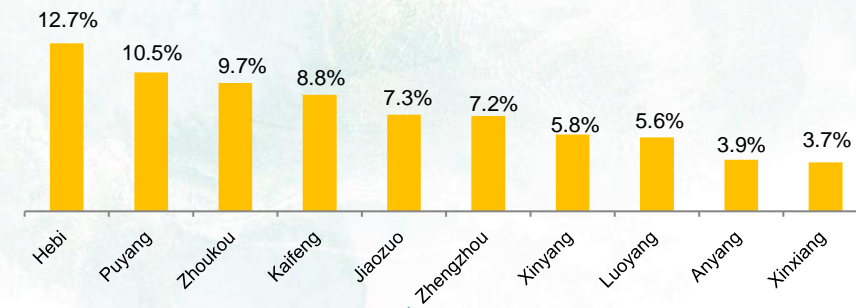
Henan 2016-2020 **7.6% CAGR**    ZZ 2016-2020 **4.8% CAGR**    KF 2016-2020 **9.3% CAGR**    LY 2016-2020 **12.0% CAGR**    Others 2016-2020 **9.3% CAGR**



## 1H21 Contracted Sales Growth by Cities



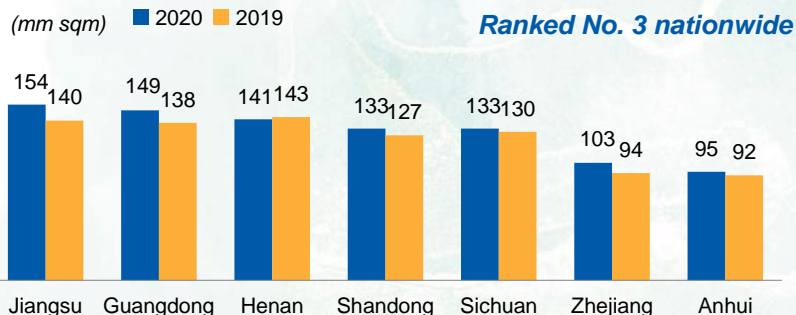
## 1H21 ASP Growth by Cities



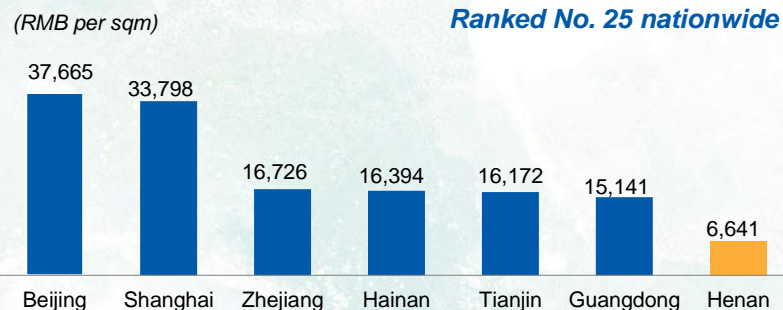
# A Market with Strong Growth Potential

- ▲ Property market ranked 3<sup>rd</sup> largest by GFA sold, representing 8.0% of China's total property GFA sales for 2020
- ▲ Henan has a large population of 109 mn with rising urban disposable income per capita at RMB34,750 in 2020, up 1.6% y-o-y
- ▲ Rising urbanization rate of Henan at 55.4% vs nationwide average urbanization rate of 63.9% in 1H2021
- ▲ Currently ranked 5<sup>th</sup> largest economy in China with GDP approximately USD447.5 billion, representing 5.4% of China's total GDP for 1H21
- ▲ End-user market with high affordability, with average housing price at 8.9 times annual household disposal income

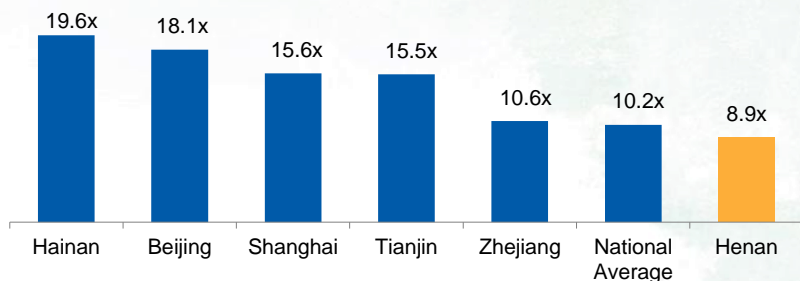
## 2020 Contracted Sales GFA – Sizeable Market



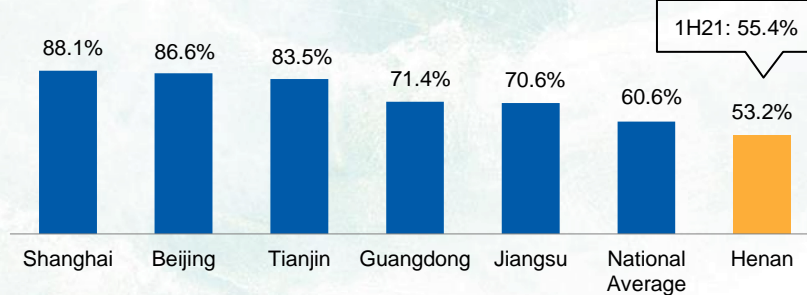
## 2020 ASP<sup>3</sup> – Significant Room for Growth (RMB psm)



## 2020 Affordability Ratio<sup>2</sup> – Highly Affordable Properties



## 2019 Urbanization Rate – Strong Underlying Potential



Source: Provincial Statistics 2019 & 1H21;

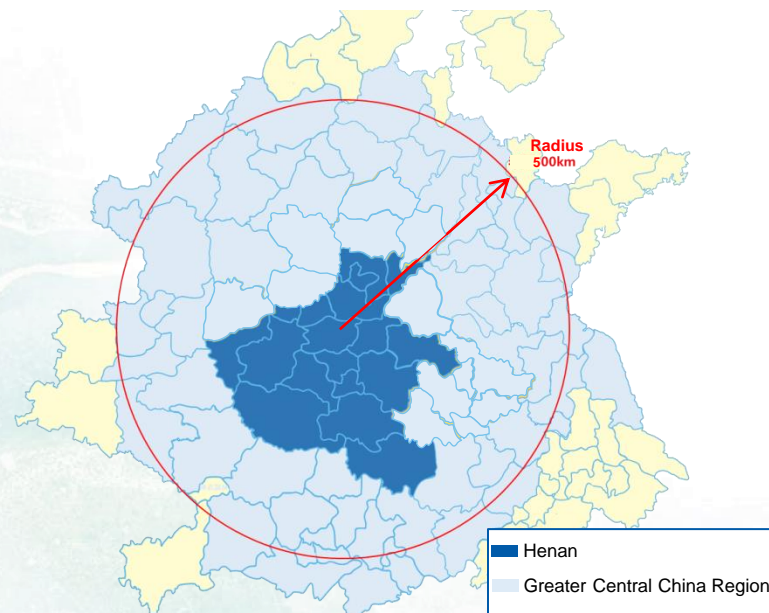
Note: <sup>1</sup> National average based on average of provinces in China; <sup>2</sup> Affordability ratio = average price of a 100 sqm apartment / average annual household disposal income, assuming an average household size of 3; calculations are based on information as at 31 Dec 2019; lower number indicates better affordability; <sup>3</sup> Based on commodity properties



# Greater Central China Strategy

## The Greater Central China Region

- ▲ Radius of 500 km from Zhengzhou
- ▲ Covers 83 provincial cities in 8 provinces (Henan, Hubei, Shandong, Anhui, Shanxi, Shaanxi, Hebei, Jiangsu), including 7 provincial capital cities
- ▲ Population of 430 million, accounting for 30.3% of total population in China
- ▲ 84.3% of high speed rail coverage in the Region



## Potentials in the Great Central China Region

### Larger Economic Scale



- ▲ Total GDP of RMB25.0 trillion in 2019, accounting for 25.3% of China's GDP
- ▲ Per capita GDP (RMB/per person): RMB58,958 (Henan: RMB56,388)
- ▲ Per capita disposable income: RMB27,233 (Henan : RMB23,903)

### Larger Accessible Market



- ▲ **Sales:** Commodity housing sales accounted for 24% of China's total sales
- ▲ **GFA:** GFA of commodity housing sold accounted for 30% of China's total GFA sold
- ▲ **ASP:** ASP of the Greater Central China was RMB7,467 in 2019 (Henan ASP: RMB6,311)

### Rising Urbanization Level Provides Significant Room for Growth



- ▲ The Greater Central China urbanization rate is 57.4%, 3.2 p.p. lower than national urbanization rate (Henan: 53.5%)
- ▲ The 14th-Five Year Plan will be the driving force of urbanization, with a target to raise urbanization rate to 65% by 2025

# Market Outlook

## The Macro-Economy Environment

- ▲ In the first half of 2021, the COVID-19 epidemic was still evolving, and the global environment became more complex. However, in China, the achievements in epidemic prevention and control, economic and social development continued to be stable and expand, the national economy continued to recover steadily. China's economic development presented an improving and promising trend with steady growth. China has done a solid job of ensuring the "Six Stability" and fully implemented the task of "Six Guarantees" to ensure a good start to the 14th Five-Year Plan. In the first half of the 2021, China's GDP was RMB53.2 trillion, up 12.7% y-o-y.
- ▲ In the second half of the year, China will maintain continuity in its macro policy. Both monetary and fiscal policy will be implemented in a targeted and effective way. China will continue to deepen supply-side reforms with a focus on unlocking the potential of domestic demand, and carry on with the 14th Five-Year. China will improve the implementation of the system for regular transfer of direct fiscal funds to ease the difficulties of enterprises and support their development. It is expected the government will coordinate all work to ensure that the economy will operate within an appropriate range and solid progress will be made in high quality development.

## The Property Market

- ▲ In the first half of 2021, despite strict property market regulation, the property market still delivered outstanding performance. Under the overall policy environment of "housing is for accommodation, not for speculation, and differentiated policies need to be adopted in the light of local conditions," the central government comprehensively and accurately controlled the national real estate market, ensuring the expected goals of stable land prices, stable housing prices, and stable expectations are implemented and the overall smooth operation of the real estate market. In the first half of 2021, the total investment in real estate development in China reached RMB7.2 trillion, up 15.0% y-o-y; the area of commodity housing sold in China amounted to 886.4 mn sq.m., up 27.7% y-o-y; the commodity housing sales amounted to RMB9.3 trillion, up 38.9% y-o-y.
- ▲ In the second half of 2021, it is expected that the regulation and control policies of the property market will remain strict, with continuous focus on managing supply and demand policy and probable intensifying financial supervision, including rise in mortgage interest rates, and further control of second-hand housing market. Regulatory measures may be further strengthened in certain cities with high market sentiment. With the adjustment of land auction rules for major cities where centralised land supply policies are implemented, the land market may cool off a bit, which will further stabilise market expectations. Furthermore, with further effectiveness of the regulatory policies, home buyers are expected to be reasonable, the overall property market is expected to see increase in volume and stable prices. With industry concentration and regional differentiation, the hot cities with good fundamentals will be the focus of investment for property developers.





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