

# Newsletter

May 2020

**Central China Real Estate** Limited is one of the leading Henan-based property developers which focuses on developing high-quality residential properties. With 28 years of development history, CCRE has adopted the “Provincial Strategy” and gradually expanded into prefecture and county-level cities in Henan. As of 31 December 2019, the Company had achieved full coverage with presence in 18 prefecture cities and 104 county-level cities and over 10% market share in Henan province. Known for its outstanding product quality, strong brand and experienced management team, the Company ranked 32nd on the “China Real Estate Listed Company Ranking List”, according to “Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2019” jointly published by China Real Estate Association and China Real Estate Appraisal. CCRE also ranked 4th among Hong Kong-listed mainland Chinese property companies in terms of performance and remains the top real estate developer in Henan province.

## LATEST NEWS

### CCRE Achieved Total Contracted Sales of RMB20,970 mn in 4M2020, up 11.8% y-o-y

	Jan - April 2020	Jan - April 2019	Y-o-Y change
Heavy Assets Sales	16,076	11,811	36.1%
Light Assets Sales	4,894	6,947	-29.6%
<b>Contracted Sales Total (RMB mn)</b>	<b>20,970</b>	<b>18,758</b>	<b>11.8%</b>
Heavy Assets GFA	2,071,204	1,569,831	31.9%
Light Assets GFA	866,292	1,291,808	-32.9%
<b>Contracted Sales GFA Total (sq.m.)</b>	<b>2,937,496</b>	<b>2,861,639</b>	<b>2.7%</b>
Heavy Assets ASP	7,762	7,524	3.2%
Light Assets ASP	5,649	5,378	5.0%
<b>Average Selling Price per sq.m. Total (RMB)</b>	<b>7,139</b>	<b>6,555</b>	<b>8.9%</b>

For the first four months of 2020, the contracted sales of Group’s heavy asset segment was RMB 16,076 million, representing a y-o-y increase of 36.1%. The Group’s heavy asset contracted sales GFA amounted to 2,071,204 sq.m., representing a y-o-y increase of 31.9%. The heavy assets ASP is RMB 7,762/sq.m., representing a y-o-y increase of 3.2%.

In the month of April 2020, the contracted sales of Group’s heavy asset segment was RMB 5,336 mn, representing a y-o-y increase of 46.6%.

### Stock Data (as at 13 May 2020)

<b>Price/share:</b> HK\$ 4.41	<b>Market Cap:</b> Approximately HK\$12.15 bn	<b>52-Week Range:</b> HK\$2.98 – HK\$5.11	<b>Shares Outstanding:</b> 2,760 mn shares
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Composition of Hang Seng Stock Connect Hong Kong Index; Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index; Hang Seng Stock Connect Hong Kong SmallCap Index; Hang Seng SCHK Mainland China Companies Index and Hang Seng SCHK ex-AH Companies Index

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## The monthly heavy assets contracted sales in April were supported by:

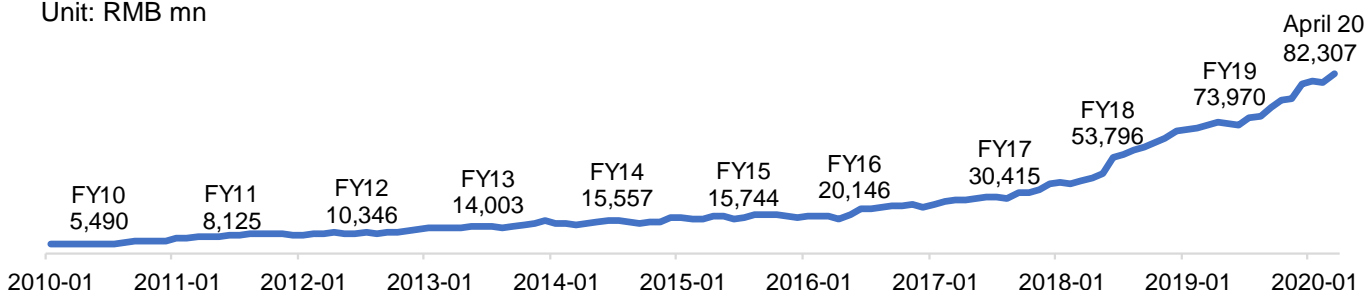
- Zhengzhou projects accounted for approximately 17% of the sales;
- Tier 3 & 4 cities projects in Henan accounted for 65% of the sales;
- County level cities projects in Henan contributed 18% of the sales;
- Contracted sales continue to be diversified, with sales contribution from 260 projects/phases located in the 2nd, 3rd, 4th tier cities and county level cities in Henan;
- 73% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

## Summary Breakdown of the Heavy Assets Contracted Sales in April 2020:

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Zhengzhou	Jianye Taihong International City	2,944	24,650	11,944
Luoyang	Long Cheng Dong Wang	2,310	25,432	9,082
Luoyang	Dingding Palace	1,782	15,041	11,850
Jiyuan	Code One City Cullinan	1,705	19,066	8,943
Zhengzhou	Gongyi Chinoiserie Palace	1,538	18,351	8,379
Xinxiang	Chinoiserie Palace	1,372	16,299	8,417
Zhengzhou	Wulong City (Century New City)	1,301	8,436	15,421
Luoyang	Luoyang Dacheng Xiao Yuan	1,297	20,591	6,300
Pingdingshan	Wugang Forest Peninsula	1,155	21,254	5,435
Puyang	Chinoiserie Palace	1,100	12,133	9,068
Luoyang	Luanzhou Palace	962	16,222	5,928
Xinyang	Jianye City	853	11,052	7,720
Zhumadian	Chinoiserie Palace	851	10,653	7,987
Luoyang	Binhe Long Fu	811	6,971	11,636
Hebi	Chinoiserie Palace	771	7,698	10,010
Xinyang	Gushi Jianye City	725	12,266	5,913
Xinxiang	Jianye Beverly Manor	680	13,815	4,923
Zhengzhou	Dengfeng Chinoiserie Palace	628	8,852	7,095
Zhoukou	Chinoiserie Palace	620	9,560	6,488
Nanyang	Nanyang Long Yuecheng	606	7,449	8,141
	Others	29,346	361,918	81,085
<b>Total</b>		<b>53,358</b>	<b>647,709</b>	<b>82,379</b>

## 12-Month Rolling Heavy Assets Contracted Sales Trend

Unit: RMB mn



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## Major Project Launch

In the month of April, CCRE launched 12 new projects/phases. The aggregate saleable resource of the new launch is RMB 1,452 mn. The first day of launch achieved an average sales/subscription rate of 62%, with sales subscription to be converted into contracted sales over the coming months.

## A Summary of the Major Projects Launched in April 2020 is Provided Below :

Project	Launch Date	Saleable Contracted Sum (RMB Mn)	Amount Sold in the First Day of Launch (RMB Mn)	Sales / Saleable (%)	Saleable GFA (sq.m.)	GFA Sold in the First Day (sq.m.)	GFA Sold / Saleable (%)
Jianye Luan Zhou Palace	17/04/20	90	81	90%	16,495	14,937	91%
Gongyi Shihe Palace	18/04/20	221	166	75%	25,480	19,134	75%
Jianye Fuju Shengyueju	23/04/20	285	108	38%	20,351	7,485	37%
Luoyang Wugang Forest Peninsula Phase V	25/04/20	114	83	73%	20,645	15,034	73%
Luoyang Dingding House	25/04/20	235	157	67%	22,609	13,210	58%
Dingding House Carpark	25/04/20	21	10	46%	187	86	46%
Luoyang Dacheng Xiao Yuan	25/04/20	168	115	69%	23,588	16,852	71%
Xinxiang Blossom Garden Carpark	25/04/20	10	5	47%	306	148	48%
Xinxiang Blossom Garden Storage Room	25/04/20	3	1	26%	3,676	905	25%
Xinyang Jianye City	25/04/20	177	111	63%	26,752	16,250	61%
Luohe Danjiang Palace	25/04/20	86	48	55%	9,931	5,462	55%
Pingdingshan Spring Time Carpark	26/04/20	43	16	37%	600	235	39%
<b>Total</b>		<b>1,452</b>	<b>900</b>	<b>62%</b>	<b>170,619</b>	<b>109,737</b>	<b>64%</b>

## Henan Property Market Sales Down 26.2% yoy in the 3M2020, CCRE Achieves Market Share of 13.2%

In the first three months of 2020, the Henan real estate market contracted sales was down 26.2% y-o-y to RMB102.28 bn (3M2019: RMB138.58 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (including heavy asset and light asset) for the first three months of 2020 reached RMB13.47 bn, representing a market share of 13.2%<sup>1</sup> for the total Henan real estate market.

Henan transaction volume in the first three months of 2020 reached 16.46 mn sq.m., representing a y-o-y decrease of 24.6% (3M2019: 21.82 mn sq.m.). In terms of contracted GFA, as at the end of March 2020, CCRE accounted for 11.6%<sup>2</sup> of the overall Henan real estate market. The average transacted price for property sales in Henan for the first three months of 2020 was RMB6,214 /sq.m., down 2.2% y-o-y (3M2019: ASP RMB6,352 /sq.m.).

Notes: <sup>1</sup>CCRE's contracted sales as at 31 March 2020 / Total contracted sales of Henan Province as at 31 March 2020 from Henan Provincial Bureau of Statistics;

<sup>2</sup>CCRE's contracted GFA as at 31 March 2020 / Total contracted GFA of Henan Province as at 31 March 2020 from Henan Provincial Bureau of Statistics.

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## Land Acquisition

The Company did not acquire any new land in April 2020.

### A Summary of the Land Acquisition in 2020 (as at 30 April 2020) is Provided Below:

Date	Project Name	City	Land Acquisition Method	Project Type (Residential=R, Commercial=C, Carpark=K)	Ave. GFA Land Cost (RMB/sq.m.)	Total GFA (sq.m.)	Attributable Total Land Premium (RMB Mn)	Attributable GFA (sq.m.)	CCRE Int (%)
02/01/2020	Shijiawan Xi Project	Luoyang	Land Auction	R, C, K	2,274	244,487	556	244,487	100%
02/01/2020	Er Bang Land	Luoyang	Equity Cooperation + Land Auction	R, C, K	2,281	241,704	336	147,439	61%
02/01/2020	Fengqiu No.15	Xinxiang Fengqiu County	Land Auction	R, C, K	766	91,380	70	91,380	100%
02/01/2020	Taiqing Road Project	Zhoukou	Equity Cooperation	R, C, K	1,109	644,427	708	637,983	99%
03/01/2020	Pijiu Chang Project	Zhumadian	Equity Cooperation + Land Auction	R, K	1,008	222,489	114	113,469	51%
06/01/2020	Qi County Weier Road	Hebi Qi County	Land Auction	R, C, K	646	144,497	93	144,497	100%
20/01/2020	Xiayi Tianlonghu Project	Shangqiu Xiayi County	Equity Cooperation + Land Auction	R, C, K	599	415,000	127	211,650	51%
20/01/2020	Kaifeng High Speed North Land	Kaifeng	Equity Cooperation	C	3,066	23,970	47	15,286	64%
01/02/2020	Anyang Junlin Grand Courtyard	Anyang	Equity Cooperation	R, K	2,357	82,651	59	25,002	30%
17/03/2020	Yi ma Yi mian Express Road Project	Sanmenxia	Equity Cooperation + Land Auction	R, C, K	373	213,631	28	74,771	35%
<b>Total</b>					<b>1,207</b>	<b>2,324,236</b>	<b>2,138</b>	<b>1,705,964</b>	

## Land Bank Summary as at 30 April 2020

As at 30 April 2020, the estimated total land reserve GFA for new development is approximately 53.04 mn sq.m., (with attributable GFA of 40.28 mn sq.m.) at an average cost of RMB1,232/sq.m..

(Note: estimated total land reserved GFA for new development may vary depending on the projects' final design)



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## Light-Asset Model Project

In accordance with the Group's "Blue Ocean Strategy" and to further promote the company's transformation into light-asset operating model.

As at the end of March 2020, 15 light-asset projects were added under CCRE's Management Entrustment Contracts, with a total expected GFA of approximately 15.74 mn sq.m.. Under the management contracts agreement, CCRE will be entitled to a guaranteed base royalty/branding fee and a performance fee subject to the success of the projects.

### A Summary of the Light-Asset Projects Added in 3M2020 is Provided Below:

	Signing Date	Project	Expected GFA (Sq.m)
1	10/01/2020	Xinye Zhongxing Road Project	170,741
2	10/01/2020	Zhenping Pingan Avenue Project	87,860
3	10/01/2020	Qixian Yinhe Road Project	55,840
4	10/01/2020	Shenqiu Jingyi Road Project	134,452
5	16/01/2020	Zhecheng Xueyuan Road Project	61,920
6	16/01/2020	Shangshui County Shangning Road Project	74,837
7	18/03/2020	Luyi County Xiyi Road Project	132,778
8	18/03/2020	Fangcheng Jianghuai Avenue Project	86,381
9	18/03/2020	Boai County Yueshan Road Project	77,405
10	18/03/2020	Xin'an County Binhe Road Project	87,527
11	27/03/2020	Yucheng County North Songshan Road Project	239,736
12	27/03/2020	Qingfeng County Cultural Road Project	93,832
13	27/03/2020	Anyang County Haixing Road Project	107,288
14	27/03/2020	Sui County Gongzhou Road Project	119,248
15	27/03/2020	Xiayi Changshou Avenue Project	43,765
<b>Total</b>			<b>1,573,611</b>

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## Broker Research Update

### DBS Vickers Securities

On 9 April 2020, DBS Vickers Security issued an equity research report titled “Strong growth plus attractive dividend yield”. The analyst highlighted Central China Real Estate (CCRE) is entering a faster earnings growth phase. Despite COVID-19 outbreak, the analyst expect CCRE to deliver 22%/47% CAGR in revenue/earnings in FY19-21F. With its strong financial position and its commitment to maintain a higher than peers’ dividend payout ratio, the analyst believe share price should be well supported by both improving fundamentals and attractive dividend yield. DBS has reiterated a “Buy” rating on CCRE and gave the target price of HK\$4.98 based on 5x FY20F EPS.

### Morningstar Securities

On 13 April 2020, Morningstar initiated an equity research report titled “Provincial Developer Central China Real Estate (CCRE) with No Moat and FVE of HKD 4.62 per Share”. Due to strong contracted sales achieved in 2018-19 and rising GFA deliveries from project completions, the analyst expected healthy revenue and earnings growth driven by the property development business from CCRE in 2020-21, while small portion of company’s other recurring income (hotel income, asset-light projects, etc.). Morningstar based on the moat index proposed by Warren Buffett initiated coverage on CCRE with no-moat in line with other peers stable moat trend ratings and rated CCRE as three stars equivalent to neutral rating and given a Fair value estimate of HK\$4.62 per share, which translates to 5 times P/E and 3.4 times EV/EBITDA.

## Upcoming IR Activities

Date	Event	Organizer	Location
02-04/06/2020	Emerging Markets Debt and Equity Conference 2020	BofA Securities	Conference Call
23/06/2020	Asia Pacific Property Conference 2020	Citi Bank	Conference Call

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