

Newsletter

July 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 RMB42,951 mn in First Half of 2020, Up 8.5% y-o-y

	Jan - June 2020	Jan - June 2019	Y-o-Y change
Heavy Assets Sales	30,016	27,660	8.5%
Light Assets Sales	12,935	11,931	8.4%
Contracted Sales Total (RMB mn)	42,951	39,591	8.5%
Heavy Assets GFA	3,687,435	3,824,356	-3.6%
Light Assets GFA	2,190,217	2,123,373	3.1%
Contracted Sales GFA Total (sq.m.)	5,877,652	5,947,729	-1.2%
Heavy Assets ASP	8,140	7,233	12.5%
Light Assets ASP	5,906	5,619	5.1%
Average Selling Price per sq.m. Total (RMB)	7,308	6,656	9.8%

In the first half of 2020, the contracted sales of Group’s heavy asset segment was RMB 30,016 million, representing a y-o-y increase of 8.5%. The Group’s heavy asset contracted sales GFA amounted to 3,687,435 sq.m., representing a y-o-y decrease of 3.6%. The heavy assets ASP is RMB 8,140/sq.m., representing a y-o-y increase of 12.5%.

In the month of June 2020, the contracted sales of Group’s heavy asset segment was RMB 8,085 mn, representing a y-o-y decrease of 30.6%.

Stock Data (as at 14 July 2020)

Price/share: HK\$ 3.82	Market Cap: Approximately HK\$10.616 bn	52-Week Range: HK\$2.98 – HK\$5.11	Shares Outstanding: 2,780 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

Newsletter

July 2020



The monthly heavy assets contracted sales in June were supported by:

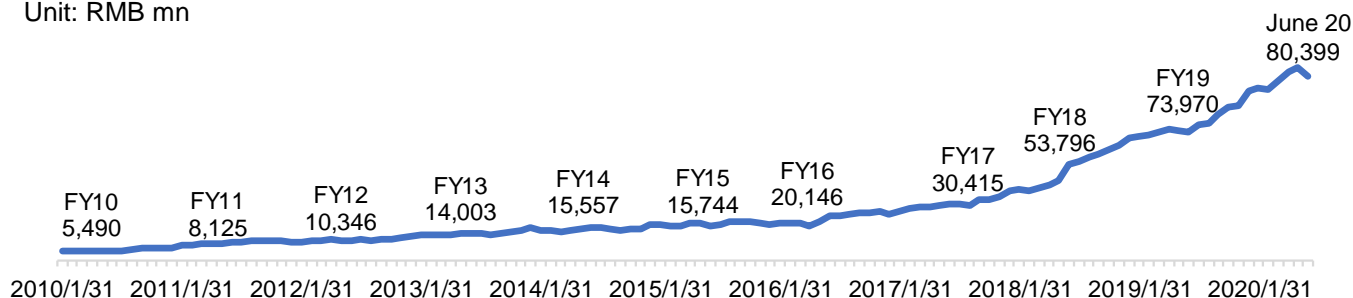
- Zhengzhou projects accounted for approximately 22% of the sales;
- Tier 3 & 4 cities projects in Henan accounted for 64% of the sales;
- County level cities projects in Henan contributed 14% of the sales;
- Contracted sales continue to be diversified, with sales contribution from 297 projects/phases located in the 2nd, 3rd, 4th tier cities and county level cities in Henan;
- 75% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

Summary Breakdown of the Heavy Assets Contracted Sales in June 2020:

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Zhengzhou	Beilonghu Financial Island	1,057	52,047	13,166
Anyang	Jianye City	381	56,725	9,066
Xinyang	Xinyang Mansion	361	45,844	6,334
Shangqiu	Art Mansion	280	32,395	8,949
Luoyang	Luoyang Binhe Longfu	266	22,493	14,906
Zhengzhou	Jianye Taihong International City	202	12,704	7,951
Zhoukou	Landscape Lake City	201	32,017	6,934
Shangqiu	Xiayi Jianye City	174	30,837	8,209
Puyang	Dragon Palace	160	33,776	21,093
Zhengzhou	Wulong New City	154	10,136	8,201
Kaifeng	Majestic Mansion	148	19,460	6,967
Nanyang	Central Garden	130	10,006	8,091
Xinyang	Jianye Huangguofu	121	19,524	11,838
Xinxiang	Chinoiserie Palace	120	15,146	5,857
Zhengzhou	Jianye Art Mansion	120	6,999	6,499
Hebi	Hebi Tonghe Mansion	112	16,044	17,316
Nanyang	Longyue City	100	12,262	7,235
Hebi	Qixian Jianye City	87	17,744	6,843
Luoyang	Dingding Palace	86	7,791	3,091
Zhumadian	Zhumadian Binhe Longfu	77	11,274	6,081
	Others	3,750	489,789	7,656
Total		8,085	955,013	8,466

12-Month Rolling Heavy Assets Contracted Sales Trend

Unit: RMB mn



Newsletter

July 2020

Major Project Launch

In the month of June, CCRE launched 20 new projects/phases. The aggregate saleable resource of the new launch is RMB 4,235 mn. The first day of launch achieved an average sales/subscription rate of 63%, with sales subscription to be converted into contracted sales over the coming months.

A Summary of the Major Projects Launched in June 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 (%)
Luoyang Binhe Longfu	3/6/2020	287	182	63%	24,561	16,063	65%
Anyang Jianye City	13/6/2020	463	381	82%	69,159	56,712	82%
Nanyang Central Garden Phase II Batch I	14/6/2020	213	91	43%	17,134	6,882	40%
Nanyang Central Garden Phase II	14/6/2020	18	5	26%	119	32	27%
Puyang Jianye Long Cheng Phase I Batch I	20/6/2020	252	165	65%	54,261	34,849	64%
Xinyang Huangchuan Huang Guofu	20/6/2020	225	121	54%	36,575	19,751	54%
Jiyuan Spring Town Carpark	20/6/2020	30	9	31%	370	115	31%
Jiyuan Code One City Cullinan Basement	20/6/2020	4	3	80%	1,782	1,464	82%
Xinyang Jianye Xinyang Palace	21/6/2020	453	407	90%	59,597	51,523	86%
Gong Yi Spring Time Phase IV	21/6/2020	43	41	94%	2,527	2,346	93%
Zhengzhou Beverly Plaza Phase IV Batch I	23/6/2020	87	21	24%	14,664	3,033	21%
Wuzhi Xingtian Apartment	25/6/2020	25	11	46%	4,010	1,949	49%
Hebi Tonghe Mansion Phase I Batch I	26/6/2020	207	128	62%	25,140	16,341	65%
Xinyang Gushi Future City	26/6/2020	157	66	42%	27,502	10,987	40%
Zhoukou Mountain Lake City	26/6/2020	359	238	66%	57,363	38,364	67%
Shangqiu Sky Mansion	26/6/2020	485	281	58%	61,134	34,891	57%
Xiayi Jianye City	26/6/2020	505	277	55%	90,297	51,876	57%
Hebi Qi County Jianye City Phase I Batch I	27/6/2020	194	118	61%	39,734	23,869	60%
Zhumadian Binhe Longfu Phase I	27/6/2020	186	101	54%	27,196	14,328	53%
Jiyuan Spring Time Phase III/IV	29/6/2020	41	1	3%	3,655	95	3%
Total		4,235	2,648	63%	616,779	385,470	62%

Henan Property Market Sales Down 7.4% yoy in the 5M2020, CCRE Achieves Market Share of 12.1%

In the first five months of 2020, the Henan real estate market contracted sales was down 7.4% y-o-y to RMB243.36 bn (5M2019: RMB262.88 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (including heavy asset and light asset) for the first five months of 2020 reached RMB29.37 bn, representing a market share of 12.1%¹ for the total Henan real estate market.

Henan transaction volume in the first five months of 2020 reached 37.43 mn sq.m., representing a y-o-y decrease of 8.1% (5M2019: 40.73 mn sq.m.). In terms of contracted GFA, as at the end of May 2020, CCRE accounted for 10.8%² of the overall Henan real estate market. The average transacted price for property sales in Henan for the first five months of 2020 was RMB6,502 /sq.m., up 0.7% y-o-y (5M2019: ASP RMB6,454 /sq.m.).

Notes: ¹CCRE's contracted sales as at 31 May 2020 / Total contracted sales of Henan Province as at 31 May 2020 from Henan Provincial Bureau of Statistics;
²CCRE's contracted GFA as at 31 May 2020 / Total contracted GFA of Henan Province as at 31 May 2020 from Henan Provincial Bureau of Statistics.

Newsletter

July 2020

Land Acquisition

In accordance with our development strategy, in June 2020, the Company acquired a total of 4 new land plot in Dengfeng, Zhumadian, Zhoukou with a land premium attributable to CCRE of RMB932 mn and an estimated attributable GFA of 664,080 sq.m. with average land cost of RMB1,130/sq.m..

A Summary of the Land Acquisition in 2020 (first half of 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	284	124,688	51%
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%
20/05/2020	Hebi green base	Hebi	Resource Collaboration	R, C, K	1,159	505,948	586	505,948	100%
05/06/2020	Dengfeng Songyue House	Dengfeng	Land Auction	R, K	1,514	63,419	96	63,419	100%
12/06/2020	Zhumadian Spring Time	Zhumadian	Equity Cooperation	R, K	1,308	356,952	257	196,323	55%
24/06/2020	Zhoukou Jianye City	Zhoukou	Land Auction	C, K	912	404,337	369	404,337	100%
Total					1,183	3,654,892	3,173	2,756,193	

Land Bank Summary as at 30 June 2020

As at 30 June 2020, the estimated total land reserve GFA for new development is approximately 52.84 mn sq.m., (with attributable GFA of 40.45 mn sq.m.) at an average cost of RMB1,212/sq.m..

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

Newsletter

July 2020

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.

In the first half of 2020, 42 light-asset projects were added under CCRE's Management Entrustment Contracts, with a total expected GFA of approximately 4.718 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 1H2020 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	16/01/2020	Pinglu County Tiaoshan Road Project	137,642
8	18/03/2020	Luyi County Xiyi Road Project	132,778
9	18/03/2020	Fangcheng Jianghuai Avenue Project	86,381
10	18/03/2020	Boai County Yueshan Road Project	77,405
11	18/03/2020	Xin'an County Binhe Road Project	87,527
12	27/03/2020	Yucheng County North Songshan Road Project	239,736
13	27/03/2020	Qingfeng County Cultural Road Project	93,832
14	27/03/2020	Anyang County Haixing Road Project	107,288
15	27/03/2020	Sui County Gongzhou Road Project	119,248
16	27/03/2020	Xiayi Changshou Avenue Project	43,765
17	27/03/2020	Handan Qiuxian Zhenxing Road Project	111,283
18	22/04/2020	Dancheng County Harmony Road Project	84,388
19	22/04/2020	Changge City Jiefang Road Project	88,207
20	22/04/2020	Changge City Cultural Road Project	116,987
21	22/04/2020	Nanzhao County Binhe Road Project	248,293
22	22/04/2020	Korla Ruoqiang Road North Project	75,100
23	29/04/2020	Nanyang Jingshi Road Project	106,995
24	29/04/2020	Pingdingshan Meiyuan Road Project	60,870
25	29/04/2020	Dancheng County Century Avenue Project	49,364
26	29/04/2020	Ruyang Xiaodian Town Project	47,520
27	29/04/2020	Queshan Zhongyuan Avenue Project	206,160
28	22/05/2020	Yanshi Yongning Road Project	136,220
29	22/05/2020	Luoyang Changxia West Road Project	186,818
30	22/05/2020	Nanyang Kongming Road Project	110,871
31	22/05/2020	Shenli Sanlijing Project	56,240
32	22/05/2020	Changge City Shuangyue Road Project	91,067
33	22/05/2020	Hainan Ding'an County Muyu Yuntian Project	63,364
34	29/05/2020	Huaxian Wenming Road Project	125,891
35	29/05/2020	Qixian Cultural Square Road Project	141,873
36	12/06/2020	Gushi County Yellow River Road Project	45,356
37	12/06/2020	Pingyu County South Ring Road Project	287,909
38	12/06/2020	Neixiang County Tuohe West Road Project	108,161
39	30/06/2020	Luoning County Xinning Avenue Project	178,626
40	30/06/2020	Wuzhi County Zhanqian Road Project	63,764
41	30/06/2020	Yanling County Huabo Avenue Project	75,572
42	30/06/2020	Weinan City Heyang County Fenghuang North Road Project	140,001
Total			4,718,153



Broker Research Update

BNP Paribas (Equity research powered by Morninstar)

On 8 July 2020, Morningstar initiated an equity research report titled “Contracted Sales Back on Pace Year to Date; Spin-Off of Asset-Light Model A Possibility”. The analyst observed an emerging trend among China developers towards sector diversification or new business model spin-offs. They believed that when the firm's asset-light segment grows in scale, the firm may consider a similar spin-off in line with this trend. Currently, CCRE's light asset business revenue has grown from a low base on a three-year CAGR of 197% to RMB 1billion in 2019, with an unrecognized management fee of RMB 2.95 billion to be recognized in the next three-four years. The analyst thought the company may pursue a spin-off via a separate listing to monetize the value of a separate fee-income business at higher earnings multiples than a company that is a developer. The analyst estimated the fair value for CCRE at HKD 4.62, which translated to 5 x P/E and 3.4 x EV/EBITDA. Morningstar initiated at “Buy” rating.

Company News in July 2020

CCRE Completed Redemption of 8.75% Senior Notes Due 2021

On 13 July 2020, CCRE has completed the redemption of the 8.75% senior notes due 2021 which was issued in 2015 (“2015 notes”). The Company has redeemed an aggregate principal amount of US\$300,000,000, representing all of its outstanding 2015 Notes on the redemption date, at the redemption price equal to 102.188% of the aggregate principal amount of such 2015 Notes, plus accrued and unpaid interest of approximately US\$12,177,000 to (but not including) the redemption date. The total amount paid for redemption of the 2015 Notes by the Company was approximately US\$318,741,000.

Recent IR Activities

Date	Event	Organizer	Location
23/06/2020	Asia Pacific Property Conference 2020	Citi	Conference Call
09/07/2020	China Property High Yield Corporate Day	Deutsche Bank	Conference Call

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Newsletter

July 2020

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