



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

# 2020 Interim Results Announcement

August 2020

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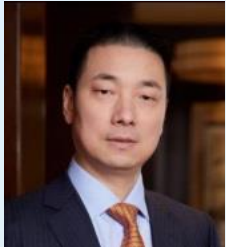




# Company Representatives



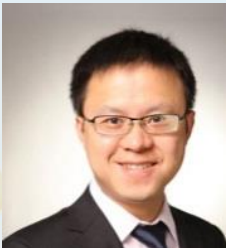
**Chairman**  
**Mr. Wu Po Sum**



**Mr. Yuan Xujun**  
**Chief Executive Officer**  
**& Executive Director**



**Mr. Felix Wang**  
**Executive Director**



**Mr. Hu Ping**  
**Chief Financial Officer**



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

# Agenda

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# Overview

## 2020 First Half Financial Results Summary

- ▲ Revenue increased by 43.6% to RMB13,019 mn, (excluding attributable revenue from JCEs of RMB1,372 mn)
- ▲ Total recognized GFA amounted to 1,782,725 sq.m., up 29.5%
- ▲ Recognized ASP increased by 11.2% to RMB6,389 per sq.m., due to product mix changes
- ▲ Gross profit increased by 24.8% to RMB3,089 mn, achieved gross profit margin of 23.7%
- ▲ EBITDA at RMB 2,844 mn on higher gross profit, up by 15.7%
- ▲ Achieved net profit of RMB786 mn, up 2.3%
- ▲ Net profit attributable to equity shareholders was RMB727 mn, up 10.5%
- ▲ Declared interim dividend of HK\$11.0 cents per share (equivalent to RMB10.1 cents per share)

# Overview

## 2020 First Half Operational Achievements

- ▲ In 1H2020, heavy asset contracted sales increased by 8.5% to RMB30.02 bn, achieved 37.5% of full year target of RMB80.0 bn; contracted sales from light-asset projects increased by 8.4% to RMB12.93 bn; total contracted sales amounted to RMB42.95 bn, up 8.5%
- ▲ In 1H2020, heavy asset contracted sales GFA decreased by 3.6% to 3.69 mn sq.m and contracted sales GFA from light-asset projects amounted to 2.19 mn sq.m., achieving total contracted sales GFA of 5.88 mn sq.m., ranked No.10 in China\*
- ▲ Market share in Henan reached 12.0% in 1H2020, up 1.3 p.p.
- ▲ 1H2020 contracted ASP was RMB 8,140/sq.m., up 12.5% due to change in city mix
- ▲ As at 30 June 2020, unrecognized contracted sales amounted to RMB76.3 bn (up 51%), and RMB 16.6 bn attributable at JCEs
- ▲ As at 30 June 2020, successfully secured management contract with 209 third-party projects of approximately 29.30 mn sq.m. of GFA, estimated unrecognized management fees from light-asset project management segment amounted to RMB3,582 mn

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# Financial Highlights

- Revenue increased by 43.6% RMB13,019 mn, primarily due to the increase in recognized GFA
- Gross profit increased by 24.8% and achieved gross profit margin of 23.7%; the decrease in gross profit margin was mainly impacted by the epidemic, narrowing the room for overall ASP increase
- EBITDA increased by 15.7% to RMB2,844 mn on higher gross profit
- Net profit increased by 2.3% to RMB786 mn, net profit margin at 6.0%
- Basic EPS increased by 9.8% to RMB26.43 cents

	1H2020	1H2019	Change
Revenue (RMB mn)	13,019	9,068	43.6%
Gross profit (RMB mn)	3,089	2,474	24.8%
Gross profit margin	23.7%	27.3%	-3.6 p.p.
EBIT (RMB mn)	2,689	2,317	16.1%
EBIT margin	20.7%	25.6%	-4.9 p.p.
EBITDA (RMB mn)	2,844	2,459	15.7%
EBITDA margin	21.9%	27.1%	-5.2 p.p.
Income tax (RMB mn)	671	795	-15.5%
Net profit (RMB mn)	786	768	2.3%
Net profit margin	6.0%	8.5%	-2.5 p.p.
Net profit attributable to equity shareholders (RMB mn)	727	658	10.5%
Basic earnings per share (RMB cents)	26.43	24.08	9.8%
Diluted earnings per share (RMB cents)	25.93	23.64	9.7%

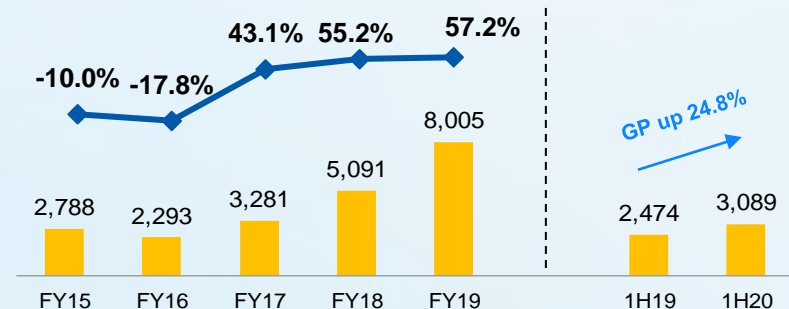


# Financial Highlights (cont'd)

▲ Track record of financial performance

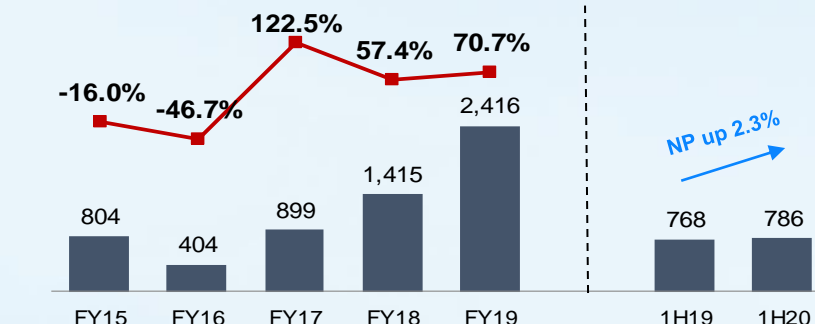
## Gross Profit

RMB mn — % Gross Profit Growth



## Net Profit

RMB mn — % Net Profit Growth

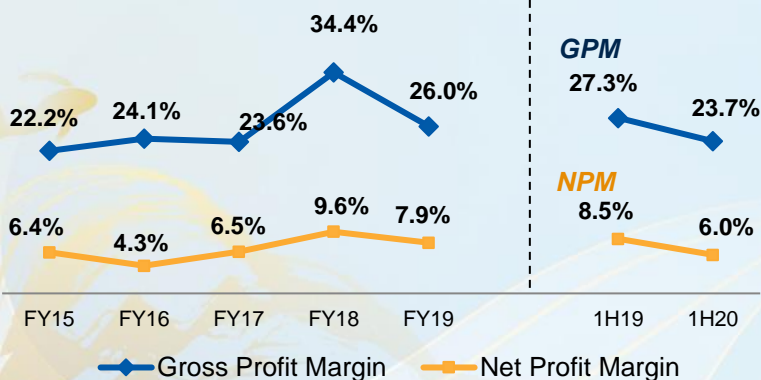


## Gross Profit Margin & Net Profit Margin

Percentage

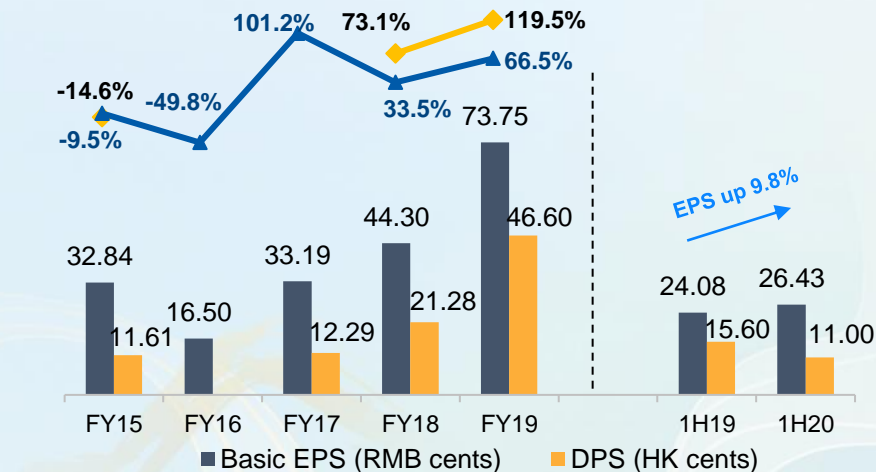
2015-2019 GPM Ave. 27.3%

2015-2019 NPM Ave. 7.5%



## Dividend per Share & Earnings per Share

Percentage — % DPS Growth — % EPS Growth



# Recognized Sales and GFA sold

▲ In 1H2020, revenue and recognized property sales increased as a result of the increase in recognized GFA and ASP

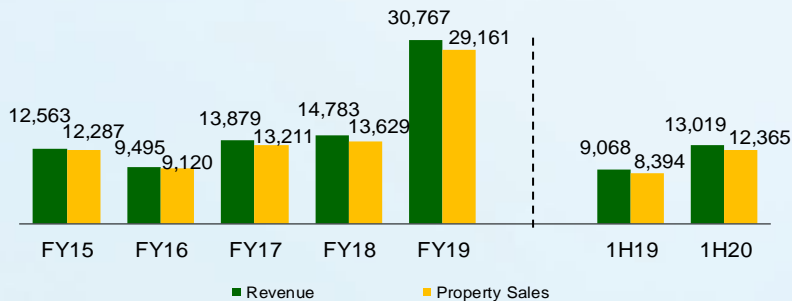
## Revenue and Property Sales

RMB mn

Revenue 2015-2019 CAGR 25.1%

Property Sales 2015-2019 CAGR 24.1%

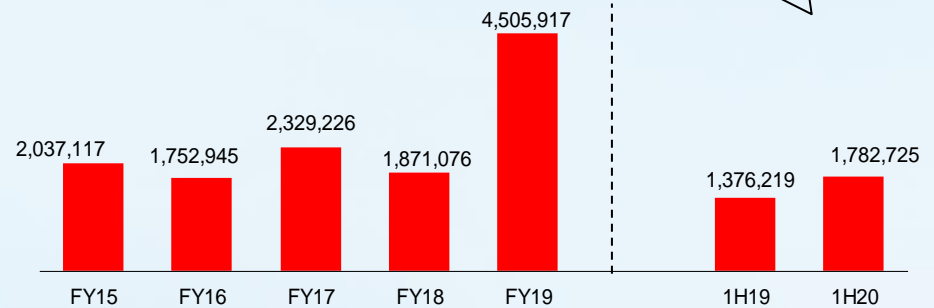
Revenue up 43.6%  
Recognized property sales up 47.3%



## Recognized GFA

sq.m.

GFA up 29.5%



## Recognized Average Selling Price

RMB per sq.m.

2015-2019 Ave. ASP RMB6,093/sq.m.

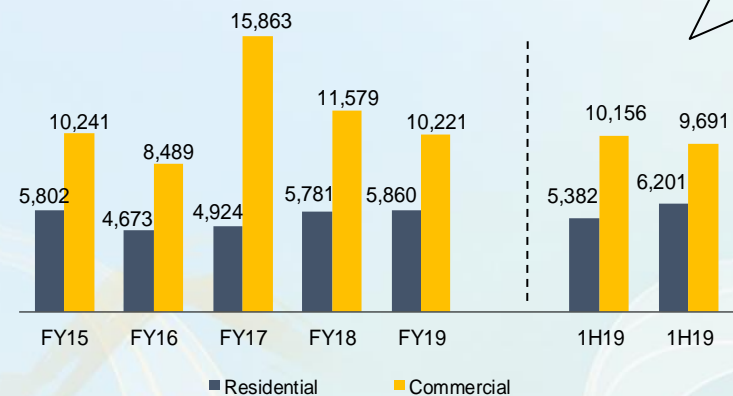
Not including carpark,  
up 11.2%



## Recognized ASP by Property Type

RMB per sq.m.

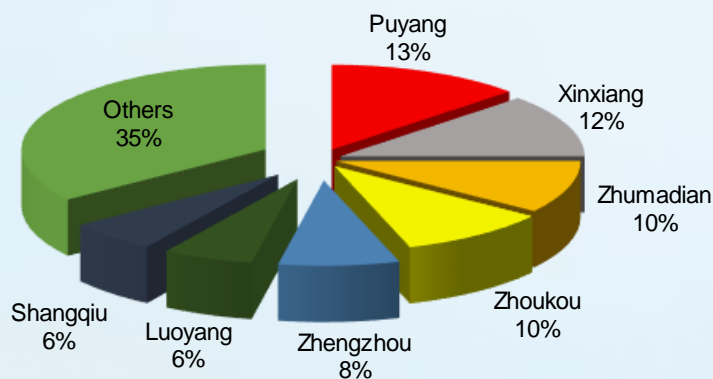
Residential ASP up 15.2%



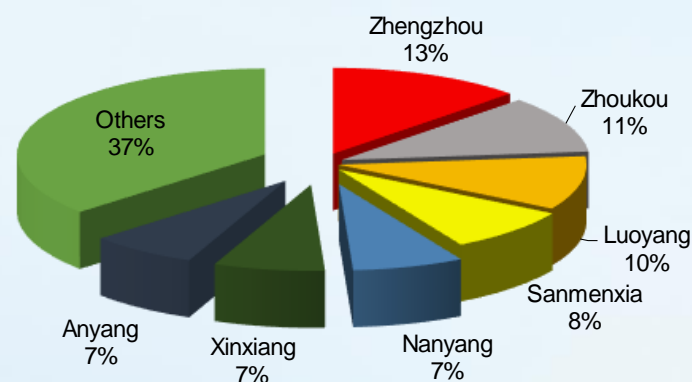
# Recognized Sales and GFA sold (Breakdown by Cities)

- ▲ Zhengzhou projects accounted 8% of total recognized sales to RMB980 mn, with average GP margin of 22%
- ▲ Tier 3 & 4 cities contributed 83% of total recognized sales with average GP margin of 26%
- ▲ County level cities accounted for 9% of total recognized sales with average GP margin of 27%

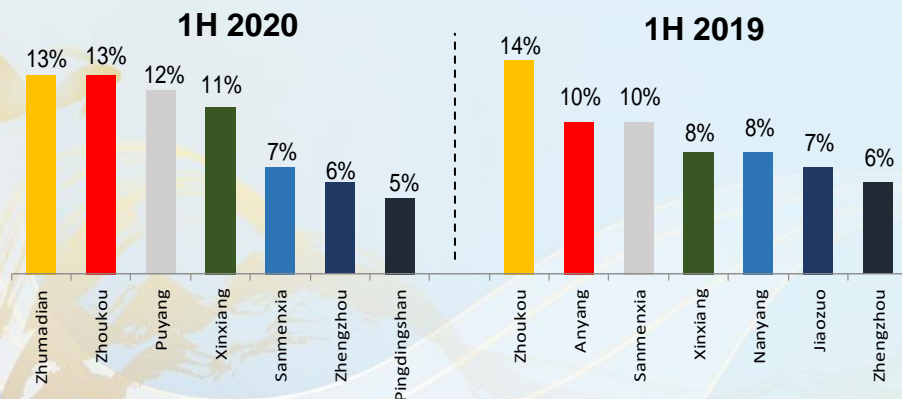
## Recognized Sales in 1H20



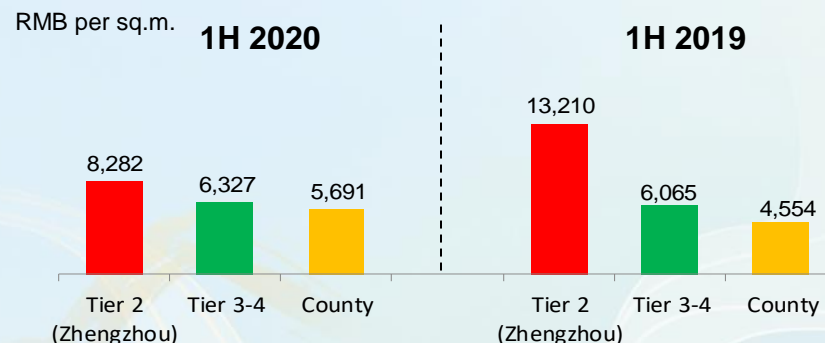
## Recognized Sales in 1H19



## Recognized GFA



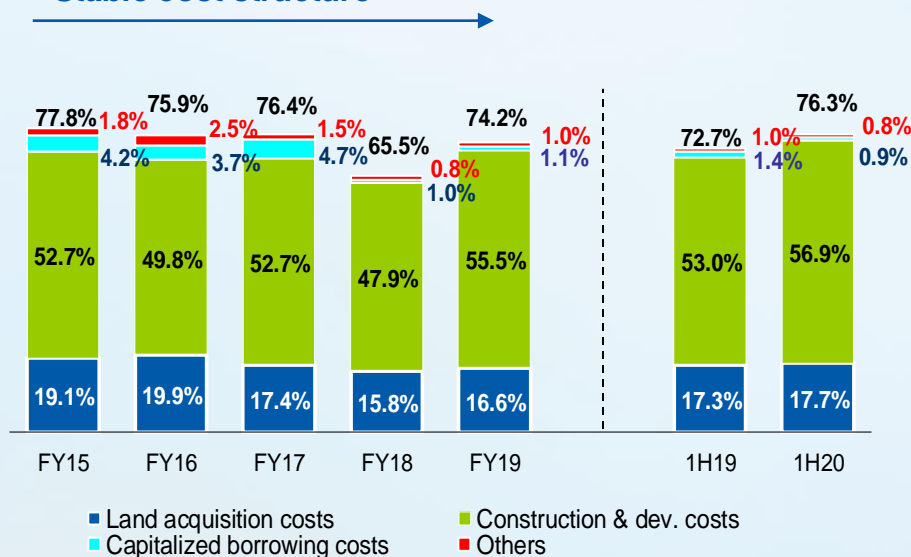
## Recognized ASP (excluding carpark)



# Cost Analysis

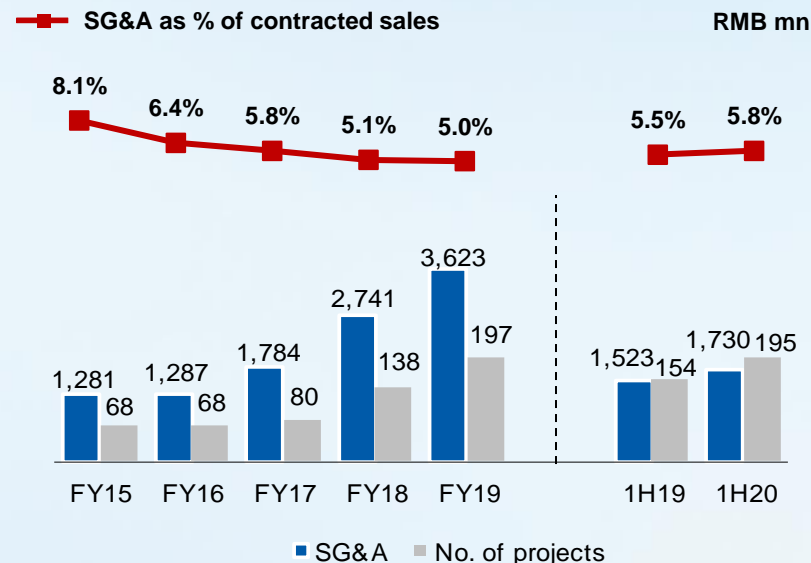
## Cost of Sales (as % of revenue)

*Stable cost structure*



- ▲ In 1H20, cost of sales as percentage of revenue increased 3.6 p.p. to 76.3%
- ▲ Land acquisition costs as percentage of revenue has increased by 0.4 p.p. to 17.7% in 1H20

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



- ▲ In 1H20, the contracted sales achieved 8.5% yoy growth and the total SG&A as percentage of contracted sales maintained stable at 5.8%
- ▲ Selling & marketing expenses increased by 20.7% to RMB907mn due to the increase in sales staff and promotional and advertising activities
- ▲ General & administrative expenses increased by 6.6% due to the increase in depreciation of fixed assets and right-to-use assets as well other related taxes



# Balance Sheet Highlights

- ▲ Achieved high cash balance of RMB31.8 bn to cover 1.6 times short-term debt
- ▲ Total debt increased by 15.3% from 31 Dec 2019 mainly due to the net issuance of approximately USD600 mn senior notes and increase in onshore bank loans
- ▲ Short-term debt increased by 55.1% to RMB19.4 bn, due to maturing USD1,086mn bonds within the next 12 months
- ▲ Total shareholders' equity increased by 3.9% to RMB13.1 bn
- ▲ Book value per share increased by 2.4% to RMB 4.71

(RMB mn)	30 June 2020	31 Dec 2019	Change
Cash	25,555	22,708	12.5%
Cash plus restricted deposit	31,770	30,785	3.2%
Total assets	164,166	143,967	14.0%
Total debt	36,321	31,491	15.3%
Short-term debt	19,422	12,519	55.1%
Net current assets	14,640	13,185	11.0%
Total capitalization	49,409	44,093	12.1%
Total shareholders' equity	13,088	12,602	3.9%
Book value per share (RMB)	4.71	4.60	2.4%

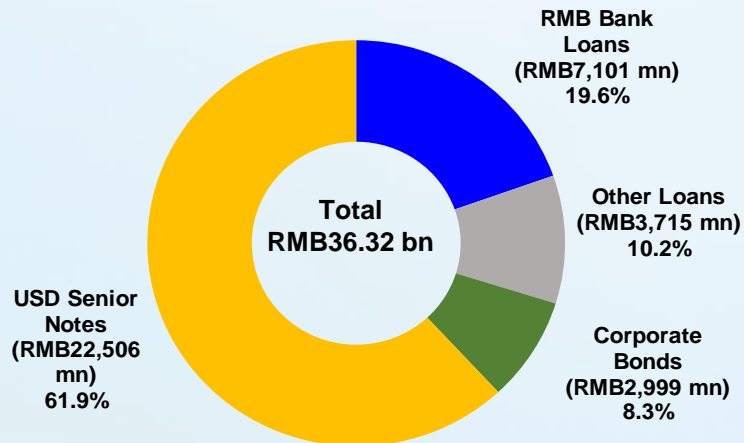
# Key Financial Ratios

- Asset turnover at 8.5% in 1H2020 on higher revenue
- Return on equity at 6.1% in 1H2020
- Net debt to equity ratio (including restricted cash) at 34.8%
- EBITDA/interest cover ratio was 2.4 times in 1H2020
- Net debt/EBITDA ratio reached 1.6 in 1H2020

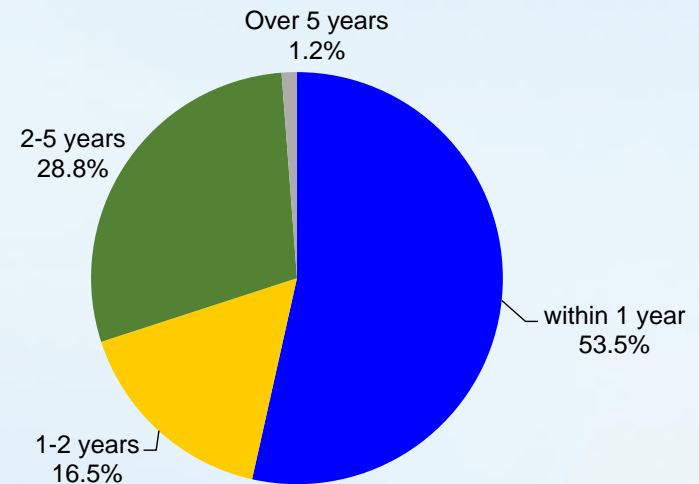
	1H2020	1H2019
Asset turnover	8.5%	8.1%
Return on equity	6.1%	7.3%
Return on assets	0.5%	0.7%
Net debt to total equity ratio (with restricted cash)	34.8%	18.3%
Net debt to total equity ratio (without restricted cash)	76.9%	60.5%
Total debt/total capitalization	73.5%	70.4%
Total liabilities/total assets	92.0%	91.0%
Current ratio (times)	1.11x	1.10x
Cash/short-term debt (with restricted cash)	164%	340%
EBITDA/interest (times)	2.4x	2.8x
Net Debt/EBITDA	1.6	0.8
Enterprise multiple (with restricted cash)*	5.1	4.6

# Diversified Debt Profile

## Funding Source



## Debt Maturity



- ▲ Diversified funding sources with 38.1% onshore debt and 61.9% offshore debt
- ▲ Maintained average debt maturity of 2.04 years at 30 June 2020
- ▲ Stable average funding cost at 7.5% at 30 June 2020 (30 Dec 2019: 7.3%)
- ▲ Redeemed USD200 mn 7.325% senior notes in January 2020 and SGD150Mn 6.25% senior notes in May 2020, also repaid USD38 mn bank loan in June 2020
- ▲ Undrawn onshore banking facility line amounted to RMB31.6 bn at 30 June 2020

# Cash Flow Highlights

- Achieved strong net cash inflow of RMB2,848 mn
- Total contracted sales receipts increased by 43.5% to RMB26.1 bn, achieved cash collection ratio of over 100%
- Maintained high cash balance of RMB25.6 bn (without restricted cash) as at 30 June 2020, up 32.8% yoy

(RMB mn)		1H20 (Actual)	1H19 (Actual)	YoY Change	FY20 (Budget)
Inflow	Initial cash position (without restricted cash)	22,708	14,202		22,708
	Contract sales receipts	26,110	18,200	43.5%	60,110
	Amount obtain/repaid to JCEs & Other working capital movement	(2,429)	1,943	-225.0%	2,206
	Bank & other loan: inflow/(outflow)	(3,633)	7,603	-147.8%	-2,831
	Onshore/Offshore Bond Issuance	6,495	3,986	62.9%	6,495
Total Cash Inflow		26,543	31,732	-16.4%	65,980
Outflow	Land acquisition related cashflow	(4,380)	(12,200)	-64.1%	(16,380)
	Construction costs	(10,600)	(8,430)	25.7%	(25,600)
	Redemption of Senior Notes	(2,177)	(1,371)	58.8%	(6,979)
	Finance costs	(1,350)	(841)	60.5%	(2,850)
	SG&A	(2,704)	(2,282)	18.5%	(6,872)
	Tax	(1,676)	(1,238)	35.4%	(3,858)
	Dividend	(808)	(331)	144.1%	(1,098)
Total Cash Outflow		(23,695)	(26,693)	-11.2%	(63,637)
End cash position (without restricted cash)		25,555	19,241	32.8%	25,050



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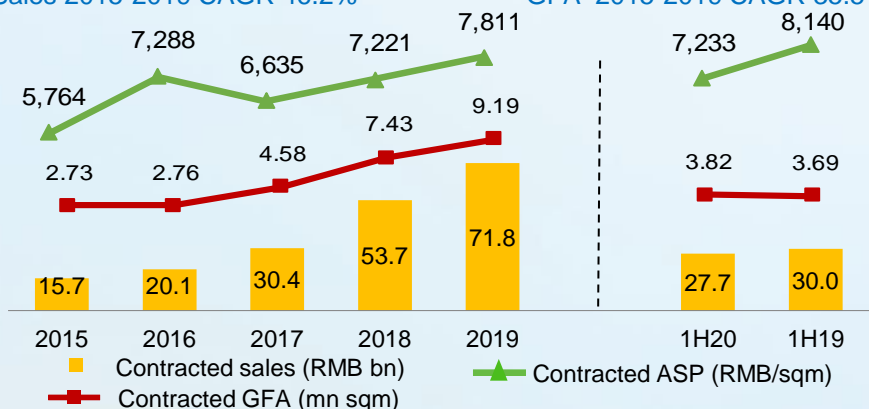
# Contracted Sales – Market Leader

- Increased market share in Henan to 12.0% in 1H20
- Contracted sales up 8.5% to RMB30.0 bn, achieving 37.5% of FY2020 sales target of RMB80.0 bn
- Achieved sell-through rate of approximately 48% in 1H20 (vs 50% in 1H19), on RMB62.9 bn saleable resources in 1H20
- Contracted sales GFA down 3.6% to 3.69 mn sq.m., with 70% attributable from tier 3&4 and county level cities
- ASP was higher at RMB8,140/sq.m., on change of product mix

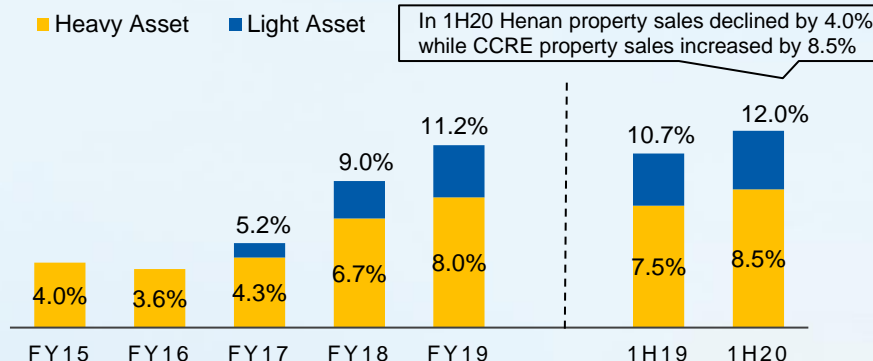
## Contracted Sales & GFA & ASP

Sales 2015-2019 CAGR 46.2%

GFA 2015-2019 CAGR 35.5%



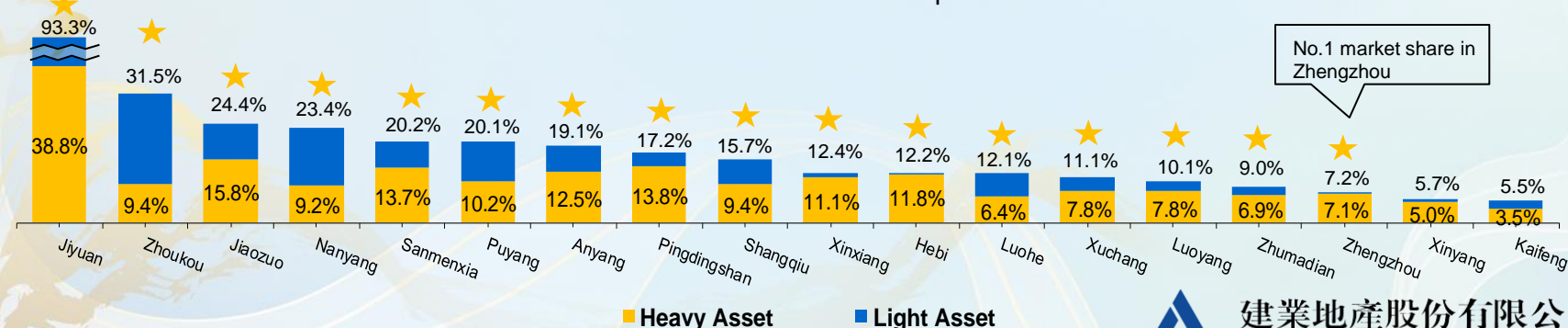
## Market Shares in Henan Province (a)



## Market Share in Selected Cities (b)

% Market Share

★ No. 1 market share in 16 out of 18 prefectural cities

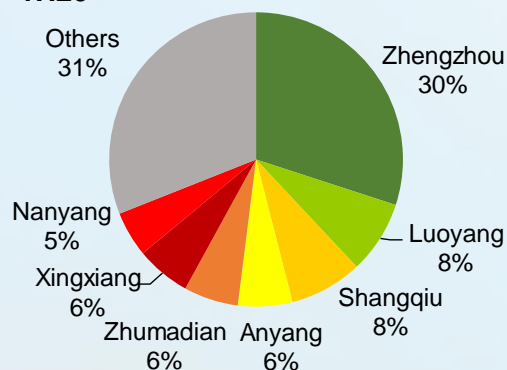


# Contracted Sales Drivers in 1H2020

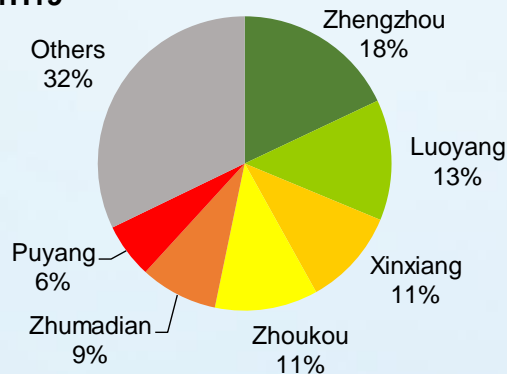
- Contracted sales were highly diversified across 77 cities and 195 diversified projects
- Contracted sales from Zhengzhou was RMB9.05 bn, accounted for 30% of total contracted sales in 1H20
- Tier 3/4 accounted for 45% of sales (vs 50% in 1H19), and county level accounted for 25% of sales (vs 32% in 1H19)
- Sales from properties with ASP less than 11,000 was at 71% in 1H20 reflecting high affordability
- Properties size between 90 to 144 sq.m. accounted for 80% of contracted sales in 1H20

## Contracted Sales by Cities

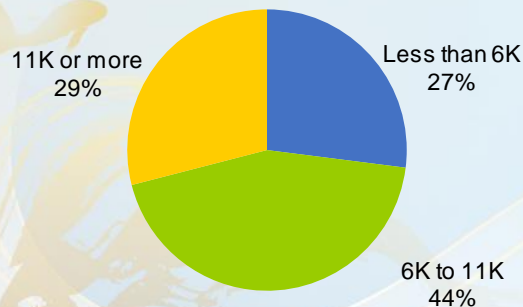
1H20



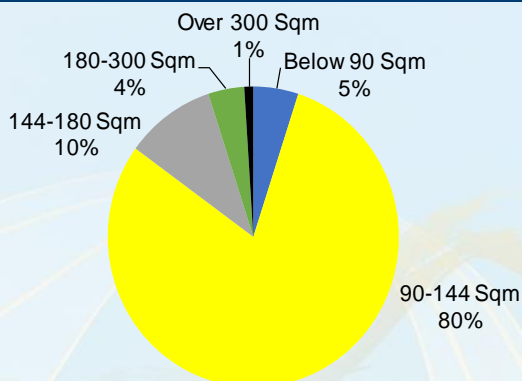
1H19



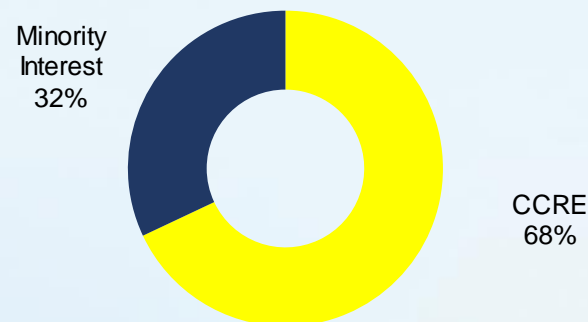
## By ASP



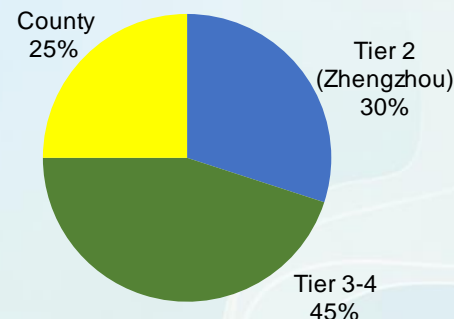
## By Unit Size



## By Attributable Interest



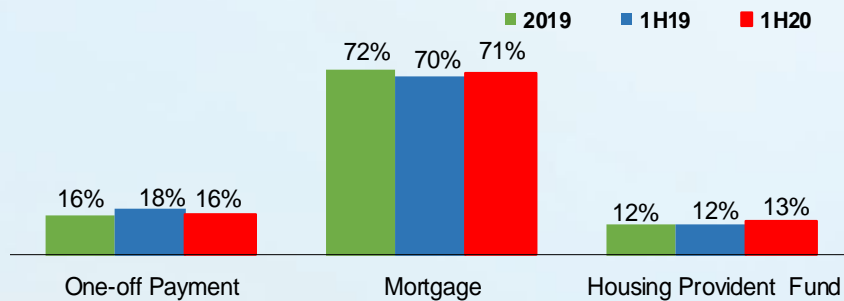
## By City Level



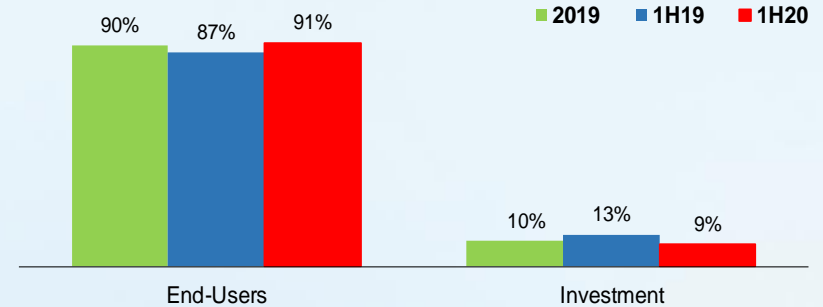
# Customer Distribution

- Customer base consists of 91% end-users, with 96% were local buyers from Henan
- Cash payment buyers at 16%, mortgage payment buyers is higher at 71%, and buyers using HPF at 13%
- 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 1H20

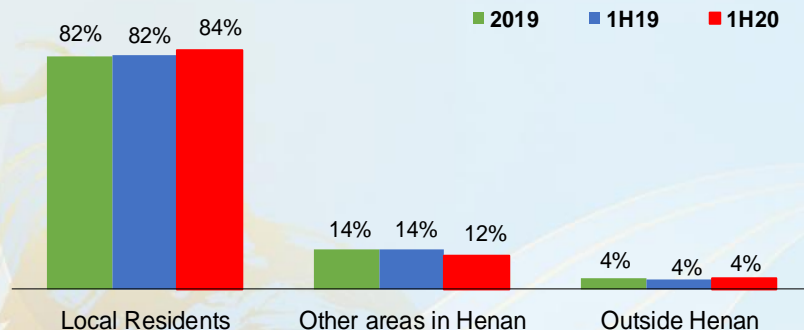
## Breakdown of Purchasers by Payment Method



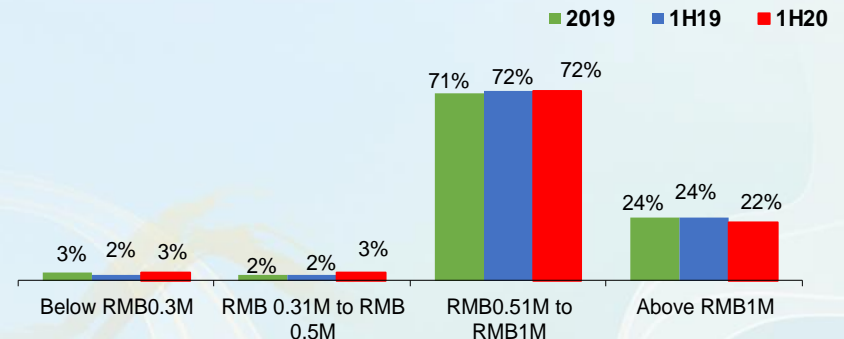
## Breakdown of Purchasers by Usage



## Breakdown of Purchasers by Region



## Breakdown of Purchasers by Selling Price

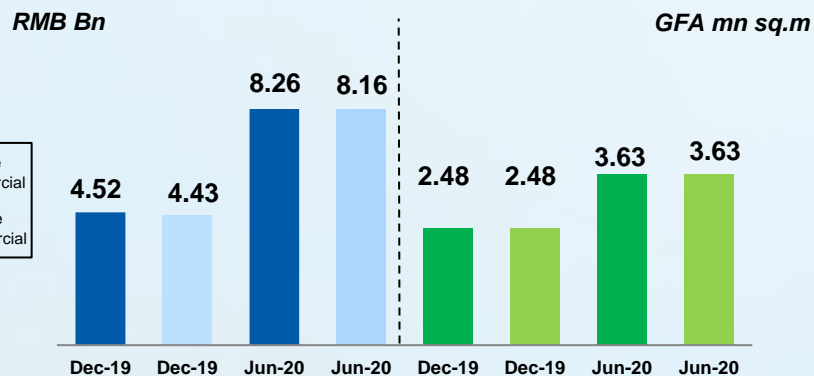




# Inventory Analysis

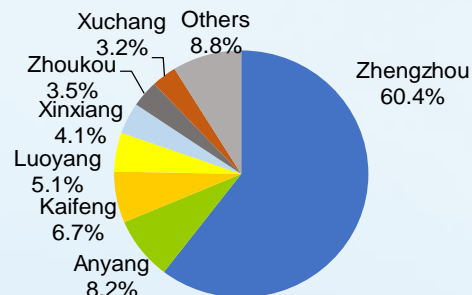
- On 30 June 2020, completed properties held for sales amounted to RMB8.26 bn
- Total saleable inventory GFA increased to 4.47 mn sq.m., amounting to RMB37.5 bn on 30 June 2020
- Saleable inventory in Zhengzhou amounted to RMB10.4 bn, representing 27.8% of total saleable inventory
- 80% of saleable inventories are residential properties and 10% is commercial (by GFA)
- 50% of inventory aged within 1 year, while 93% of inventory aged within 3 years

## Completed Properties Held for Sales

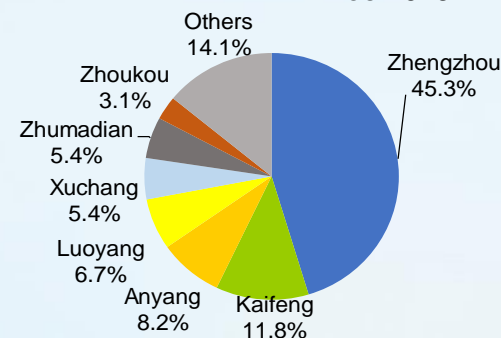


## Breakdown of Completed Properties Held for Sales

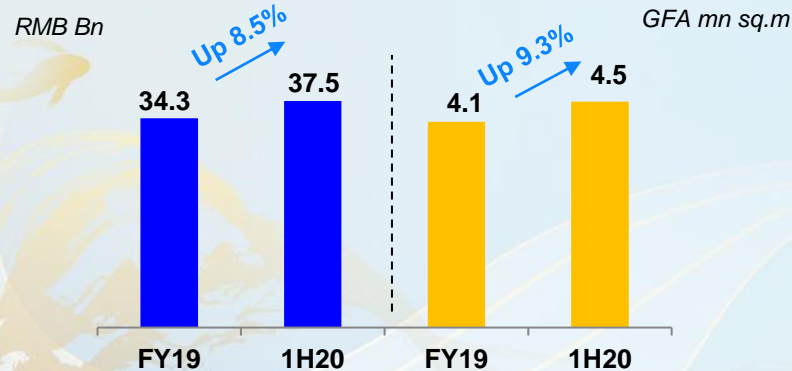
Jun 2020



Dec 2019

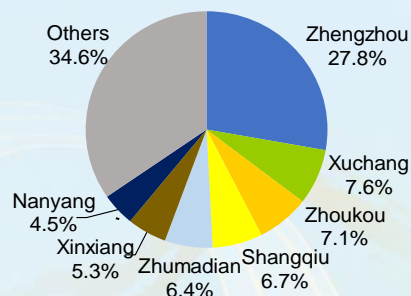


## Total Saleable Inventory

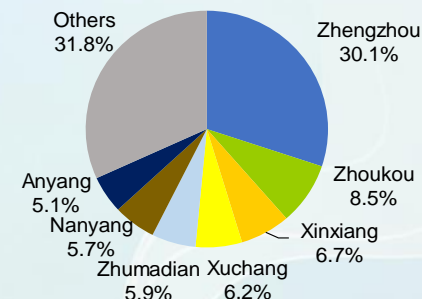


## Breakdown of Total Saleable Inventory in RMB by City

Jun 2020



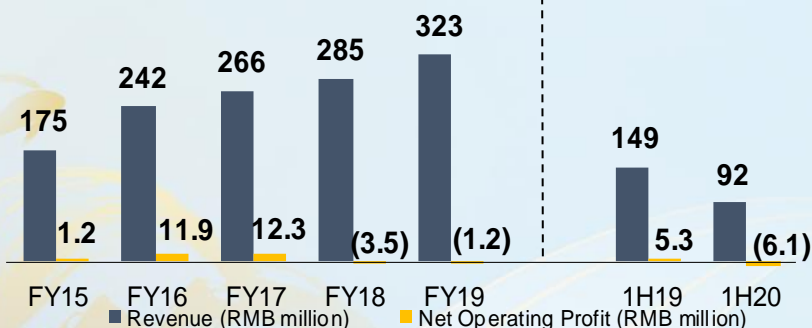
Dec 2019



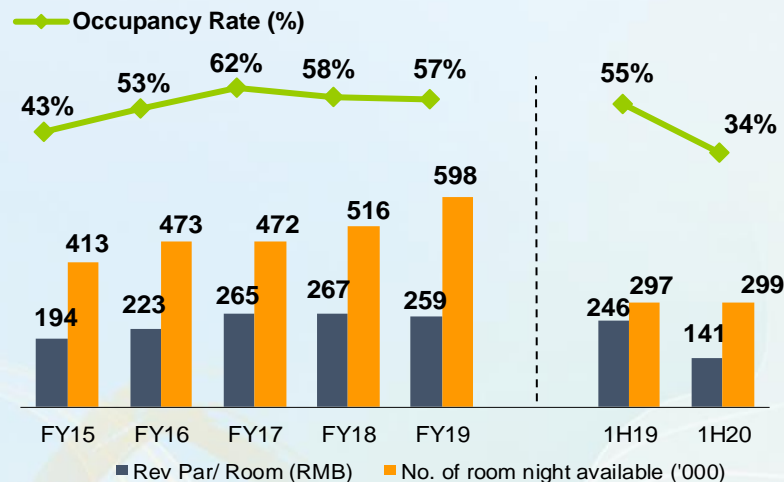
# Hotel Operations

- As a result of the pandemic, 1H20 revenue from hotel operations decreased by 38.0% y-o-y to RMB92.5 mn, with GPM of 25.5%
- Room revenue decreased by 40.4% y-o-y to RMB41.2 mn, while F&B revenue decreased by 36.1% y-o-y to RMB51.3 mn
- Average occupancy rate decreased to 34% in 1H20 (1H19:55%)
- Rev Par was RMB141 /room in 1H20, down 42.7%
- Net operating loss was RMB6.1 mn (1H19: operating gain of RMB5.3mn), with two out of nine hotels recording operating profit
- In 1H20, net loss from hotel operation was at RMB106 mn, as a result of asset depreciation

## Hotel Revenue and Operating Profit/ Loss



## Occupancy Rate vs Rev Par/ Room 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	37%	-36 p.p.	69	-51.2%	2011 Aug
Holiday Inn Nanyang	353	50,574	27%	-27 p.p.	97	-48.1%	2012 Aug
Four Points by Sheraton Luohe	244	37,398	42%	-23 p.p.	127	-39.3%	2012 Nov
Le Méridien Zhengzhou	337	64,721	42%	-34 p.p.	225	-49.3%	2013 Oct
Pullman Kaifeng Jianye	186	43,536	23%	-23 p.p.	154	-56.6%	2015 Nov
Yanling Jianye The MIST Hot Spring Hotel	51	19,951	9%	-6 p.p.	142	-50.7%	2018 Feb
Zhengzhou Jianye Sky Mansion	302	34,252	34%	-7 p.p.	139	30.1%	2018 Oct
Yuzhou Jianye Starry Hills	24	1,632	6%	--	39	--	2019 Sep
Xinyang Jianye Starry Hills	89	878	18%	--	130	--	2020 May
<b>Total / Average</b>	<b>1,758</b>	<b>272,699</b>	<b>34%</b>	<b>-21 p.p.</b>	<b>141</b>	<b>-42.7%</b>	



# Light Asset Model Business – Recurring Income

- As at 30 June 2020, the light asset business model has achieved sustainable scale by securing 209 third-party projects under CCRE's Management Entrustment Contracts, with a total planned GFA of approximately 29.30 mn sq.m., up 47.3% from 19.91 mn sq.m. as at 31 December 2019
- The estimated unrecognized management fees amounted to approximately RMB 3,582 mn, which will be recognized over the coming 3 to 4 years
- In 1H20, revenue from the light asset model business was up 14.3% y-o-y to RMB462 mn with GPM of 87.8%
- Target to reach 220 light asset projects by the end of 2020

## Unlock Brand Value

### Target Customer

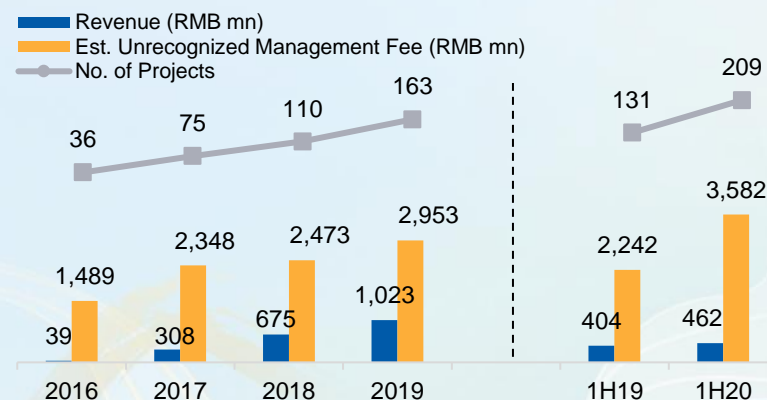
- High quality land owner
- Sufficient capital provided
- Highly recognized CCRE's culture
- Manageable market risk

### 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

- Basic Management Fee: RMB200 /sq.m. for residential; RMB300 /sq.m. for commercial on GFA
- Extra management fee: 10% of selling price premium over pre-set ASP
- Profit sharing fee: base on selling price premium over pre-set ASP





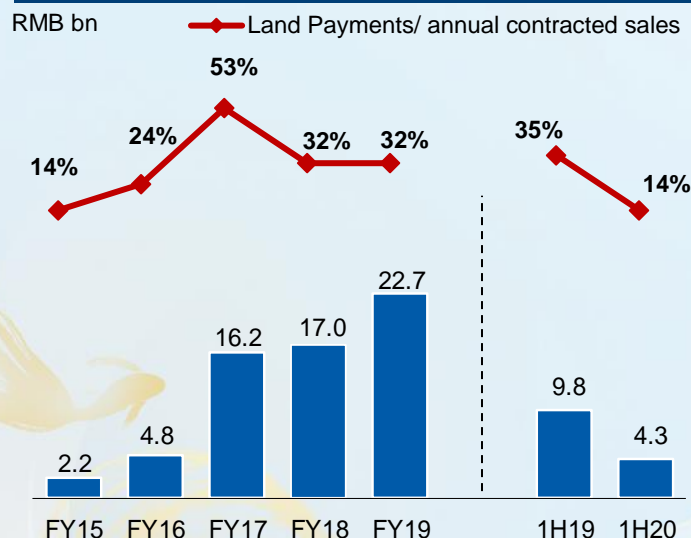
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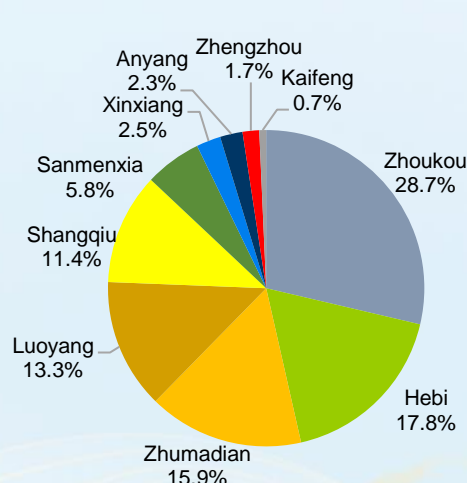
# Land Acquisition Strategy in 1H2020

- ▲ In 1H20, acquired 3.65 mn sq.m. of new land bank at an average cost of RMB1,183/sq.m
- ▲ In 1H20, total land premium was RMB4.3 bn, supported by strong contracted sales and cash collection, accounted for 14% of 1H20 contracted sales of RMB30 bn
- ▲ Consistent with the Group's strategy of controlling land cost, 81% (by GFA) of the new land in 1H20 was acquired through equity acquisition or cooperation and 19% through land auction
- ▲ Attributable interest of the new land acquired was as high at 73%

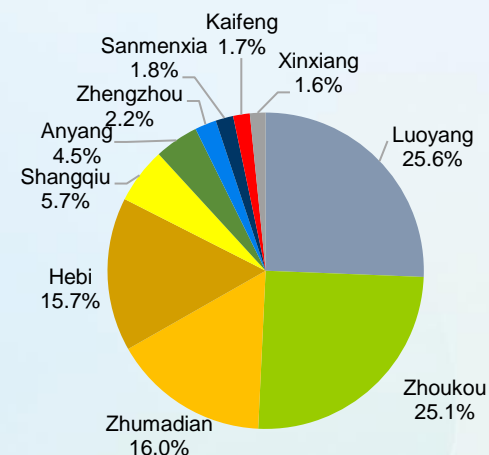
**Total Land Premium and  
Total Land Premium as % of Contracted Sales**



**Land Acquisition by cities in 1H2020  
(by GFA)**



**Land Acquisition by cities in 1H2020  
(by RMB Mn)**

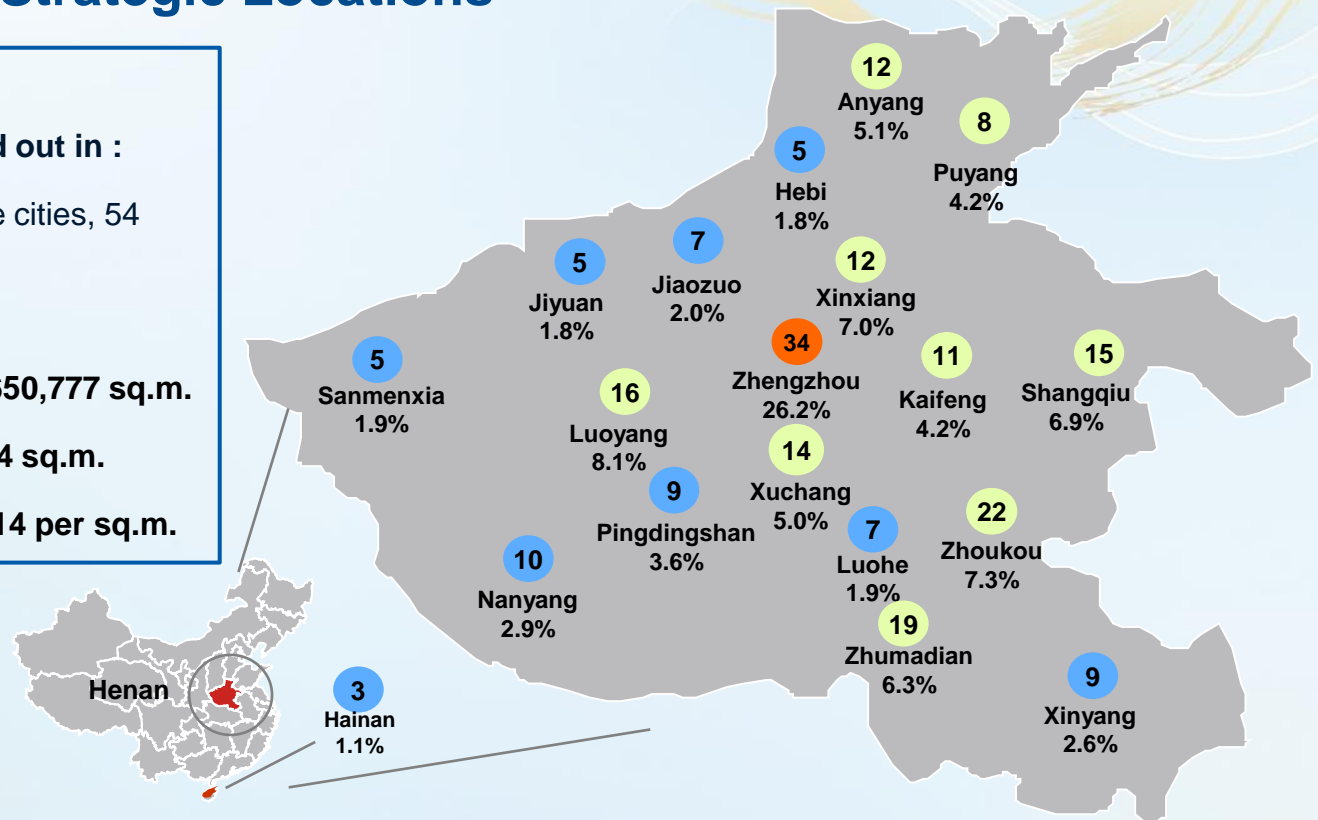


# Land Reserves in Strategic Locations

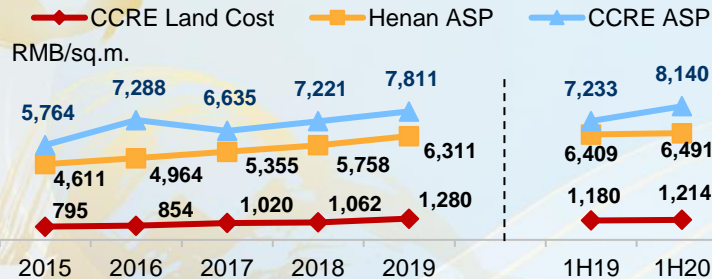
As at 30 June 2020:

CCRE has 223 projects spread out in :

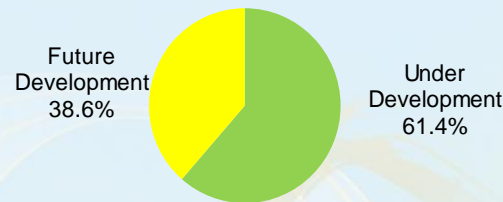
- ▲ 220 projects in 18 prefecture cities, 54 county-level cities in Henan
- ▲ 3 projects in Hainan
- ▲ Total GFA of land bank: **52,650,777 sq.m.**
- ▲ Attributable GFA: **40,308,824 sq.m.**
- ▲ Average land cost: **RMB1,214 per sq.m.**



## Higher ASP vs Lower Land Cost to Secure Profit

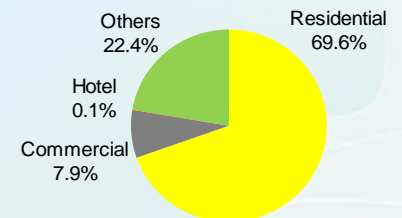


## Development Stage



85% of land use rights obtained

## Property Type



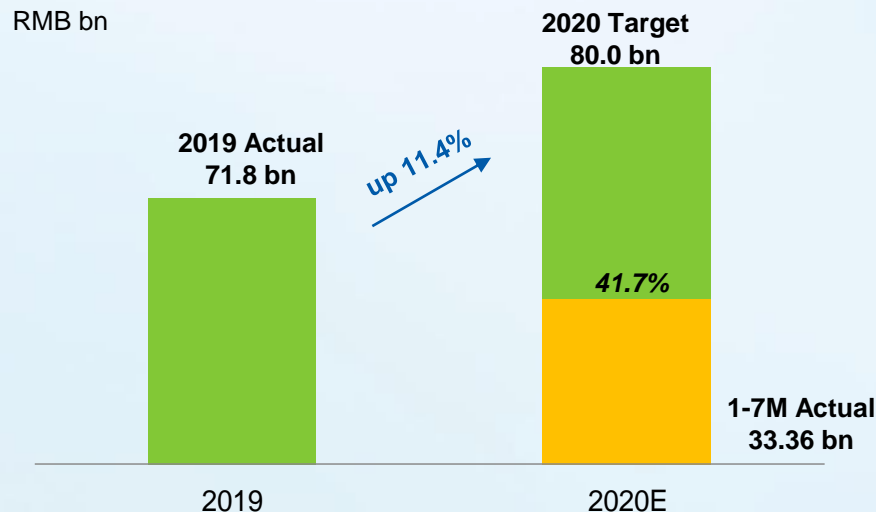
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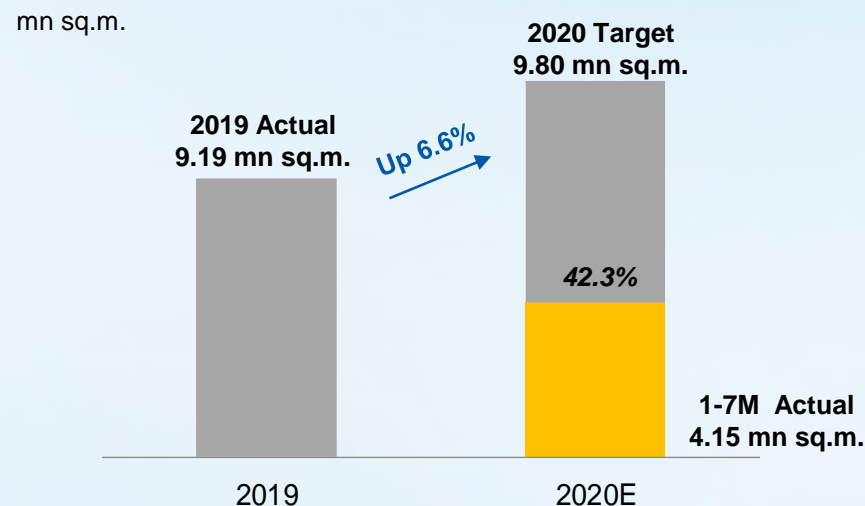


# 2020 Contracted Sales Targets

## 2020 Contracted Sales Target



## 2020 GFA Target

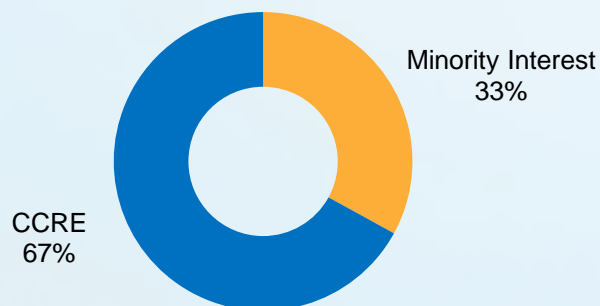


- 2020 contracted sales target of RMB80.0 bn
- Achieved contracted sales of RMB33.36 bn as at 31 July 2020, up 8.5% yoy, achieved 41.7% of annual sales target
- Contracted sales GFA reached 4.15 mn sq.m. as at 31 July 2020
- ASP for 7M2020 at RMB8,046/sq.m., up 10.3% yoy
- Estimate total saleable resources of approximately RMB74.4 bn in 2H20, including existing inventory (RMB37.5 bn) & new launches in 2H20 (RMB36.9 bn)
- In 2H20, to achieve the contracted sales target, requires a sell-through rate of approximately 67%

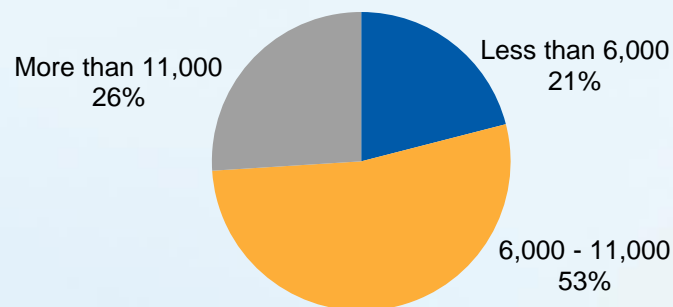
# 2H2020 Contracted Sales Plan

- 2H20 contracted sales is well diversified across 79 cities 205 projects in Henan with diverse price range
- Expect sales from Zhengzhou to account for 30% of total sales
- Contribution from tier 3/4 cities will be around 34%
- Expect sales from 61 county-level cities projects to remain at around 36% in 2H20
- Affordable ASP, expect 74% of contracted sales from projects with ASP less than RMB11,000/sq.m.

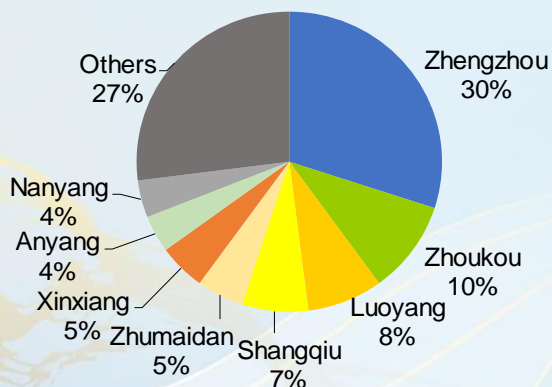
## By Attributable Interest



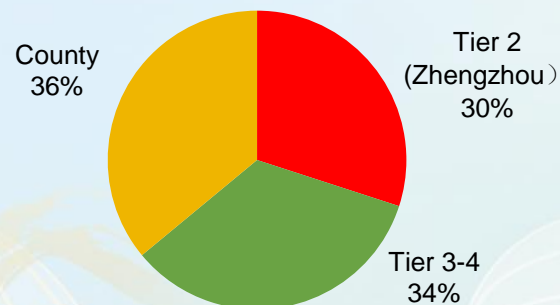
## By ASP



## By Cities



## By Level Contribution



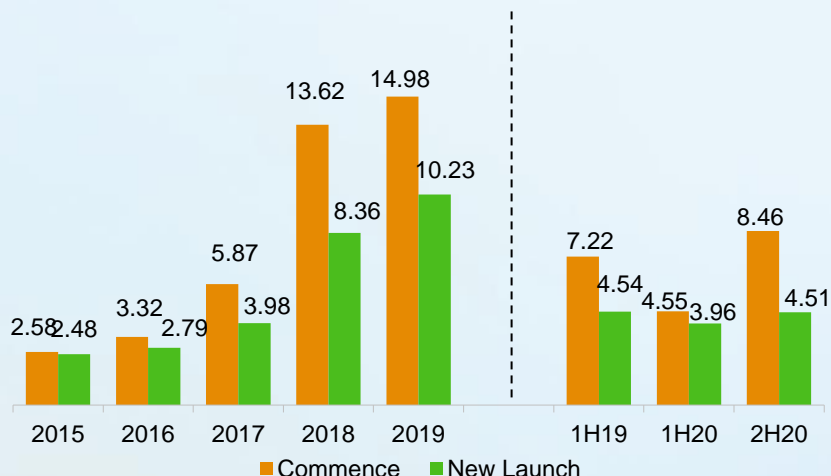
# 2020 Development Plan

## Commence & New Launch GFA

mn sq.m.

2015-2019 Commence GFA CAGR 54.9%

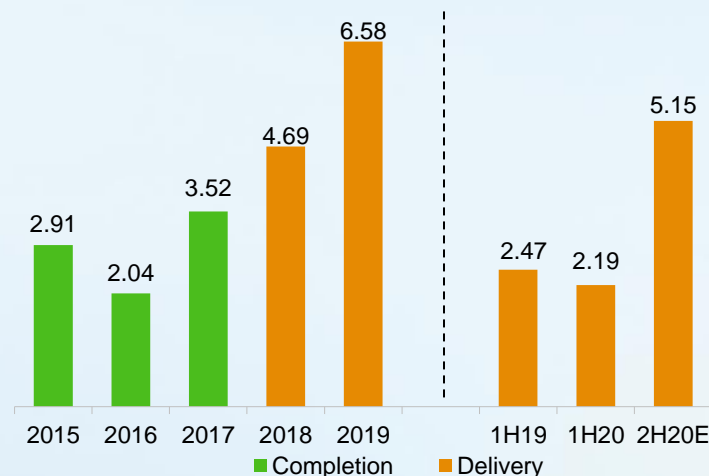
2015-2019 New Launch GFA CAGR 42.5%



## Completion and Delivery

mn sq.m.

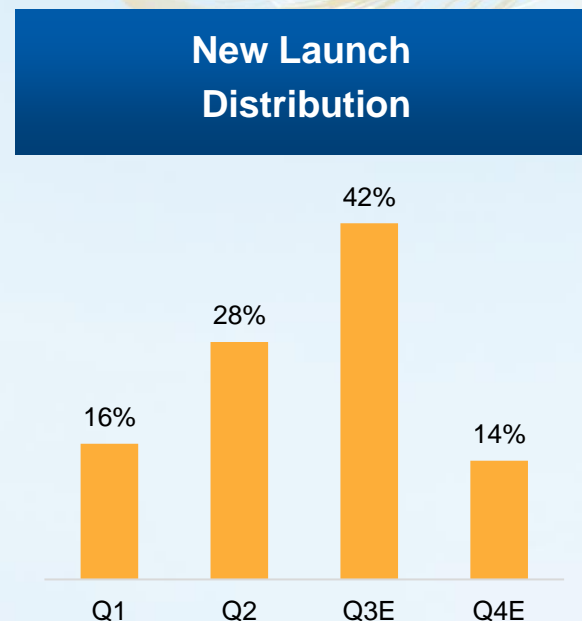
Expected FY20 delivery 7.34 mn sq.m. up 11.6% yoy



- 2H20 plan to commence GFA construction of 71 projects with GFA of 8.46 mn sq.m.
- 2H20 plan to launch 98 projects/phases with GFA of 4.51 mn sq.m.
- 2H20 estimate to deliver 60 projects with GFA of 5.15 mn sq.m.
- The company expects the development plan will support the contracted sales plan in 2H20

# Major Project Launch in 2H2020

Item	City	Project	Estimated Launch (RMB mn)	Estimated ASP (RMB /sq.m.)
1	Zhengzhou	Zhengzhou Riverside House	2,648	24,238
2	Zhengzhou	Zhengzhou Lanhai Zhengfeng	1,871	9,492
3	Zhengzhou	Zhengzhou Blossom Garden	1,605	18,955
4	Luoyang	Luoyang Code Two City	1,110	10,048
5	Luoyang	Luoyang Zhongzhou Palace	983	11,520
6	Luoyang	Luoyang Dingding Palace	910	8,632
<b>Total</b>			<b>9,127</b>	



- ▲ The estimated saleable resource from the new project launch will be approximately RMB36.9 bn
- ▲ In 2H20, estimated 98 projects/phases to be launched
- ▲ Top 6 major projects launch will account for 25% of 2H20 new launch sales value
- ▲ Zhengzhou projects will account for 32% of new launch in sales value and 20% of GFA new launch
- ▲ New projects to be launched in major cities includes Zhengzhou (32%), Zhoukou (13%), Luoyang (11%), Shangqiu (7%) and Anyang (5%) (as proportion of 2H new launch sales value)



# Major Project Launch in 2H2020

## Zhengzhou Jianye Riverside House 郑州建业河畔洋房



- ◆ GFA: 269,013 sq.m.
- ◆ Location: Intersection of the northeast corner of Jialu River Zhongzhou Ave in Zhengzhou
- ◆ Surrounding: Unique ecological environment, Jialu River, convenient transportation
- ◆ Product: Houses
- ◆ Estimate ASP: RMB25,000/sq.m
- ◆ Land cost: RMB7.28 mn/mu

## Luoyang Jianye Code Two City 洛阳建业贰号城邦



- ◆ GFA: 616,812 sq.m.
- ◆ Location: Intersection of Zhongzhou Road and Qiming Road at Zhanghe District in Luoyang
- ◆ Surrounding: Mature living facilities, schools, hospitals, main roads, subway Qiming South Road Station
- ◆ Product: High-rise units
- ◆ Estimate ASP: RMB10,000/sq.m.
- ◆ Land cost: RMB7.93mn/mu

## Anyang Jianye City Phase III 安阳建业城三期



- ◆ GFA: 275,184 sq.m.
- ◆ Location: Anyang North Huan (Intersection of Pingyuan Road and Yecheng Avenue)
- ◆ Surrounding: Sixth Middle School, park
- ◆ Product: High-rise
- ◆ Estimate ASP: RMB6,800/sq.m.
- ◆ Land cost: RMB3.23mn/mu

## Zhoukou Jianye City Phase III 周口建业城三期



- ◆ GFA: 140,445 sq.m.
- ◆ Location: Intersection of Kaiyuan Avenue and Bayi Road in Zhoukou City
- ◆ Surrounding: Wanda Plaza, Experimental School, Hospital, Zhoukou Railway Station,
- ◆ Product: Modern high-rise with views
- ◆ Estimate ASP: RMB5,900/sq.m.
- ◆ Land cost: RMB 2.06mn/mu

# Cash Flow Forecast for 2H2020

- Continue to be prudent with cash flow management, estimate net positive operating cashflow of RMB2.34 bn for FY20
- 2H20 Land acquisition expenditure budget of RMB12 bn, with total unpaid land premium of RMB 274 mn
- Construction expenditure budget for 2H20 is RMB15 bn
- Estimate cash balance of RMB25.05 bn (without restricted cash) at the year end of 2020

(RMB mn)		2H20 (Budget)
Inflow	Cash position as at 30 June 2020 (without restricted cash)	25,555
	Contracted sales receipts	34,000
	Amount obtain/repaid to JCEs & Other working capital movement	4,635
	Bank & other loan, restricted cash inflow/(outflow)	802
Total Cash Inflow		39,437
Outflow	Land acquisition	(12,000)
	Construction costs	(15,000)
	Redemption of Senior Notes	(4,802)
	Finance costs	(1,500)
	SG&A	(4,168)
	Income tax (LAT & CIT)	(2,182)
Dividend		(290)
Total Cash Outflow		(39,942)
Cash position as at 31 December 2020 (E) (without restricted cash)		25,050

# Agenda

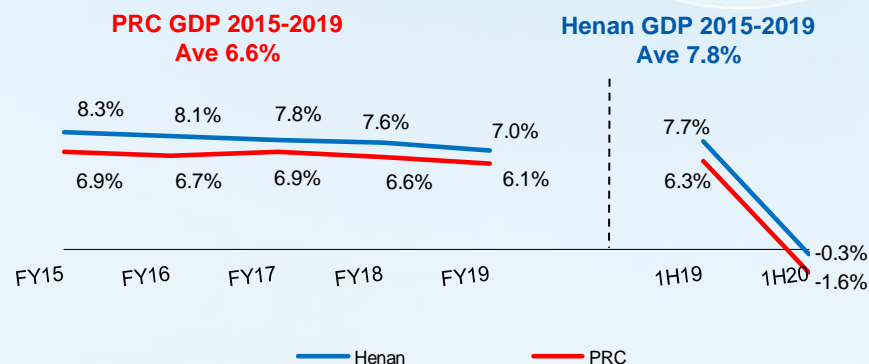
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# Market Review

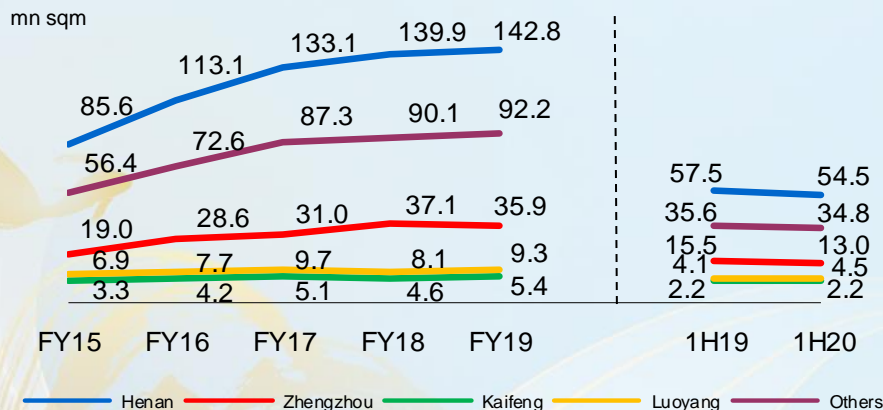
- ▲ In 1H20, Henan's GDP reached RMB2.5 trillion (5.6% of China's total GDP), achieving real GDP growth of -0.3%, which was higher than the national growth rate of -1.6%
- ▲ In 1H20, in terms of GFA sold, Henan property market was down 5.2% y-o-y to 54 mn sq.m., above the decline of 8.4% in national property GFA sold
- ▲ Zhengzhou recorded a 16.0% decrease in GFA sold
- ▲ Some of lower tier 3 & 4 cities in Henan are displaying positive long-term trend with strong volume growth, for example, Anyang +31.1%, Luohe +20.4%, Puyang +15.9%

## Above Average Real GDP Growth

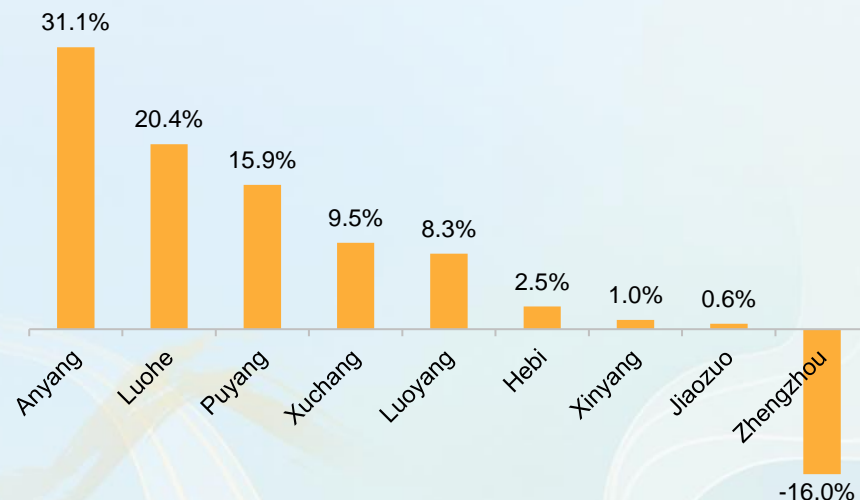


## Contracted Sale GFA

**Henan 2015-2019** 13.7% CAGR   
 **ZZ 2015-2019** 17.2% CAGR   
 **KF 2015-2019** 13.1% CAGR   
 **LY 2015-2019** 7.8% CAGR   
 **Others 2015-2019** 13.1% CAGR



## 1H20 Contracted GFA Sold Growth by Cities



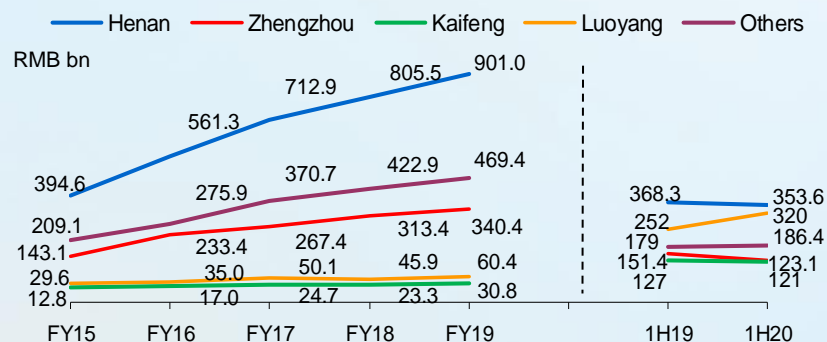


# Market Review (cont'd)

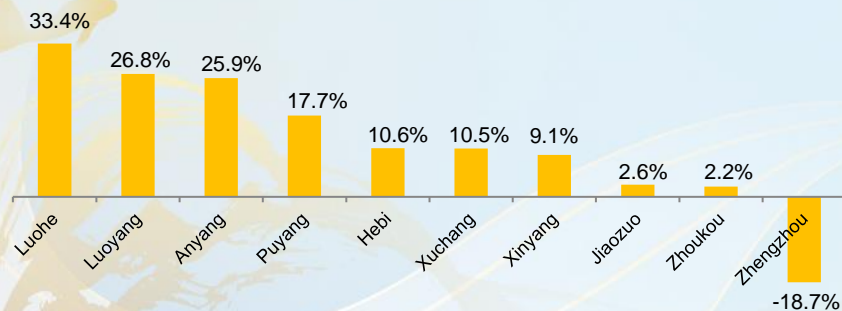
- ▲ In 1H20, Henan total contracted sales declined by 4.0% y-o-y to RMB353.6 bn (5.3% of China's total contracted sales) vs nationwide growth rate of -5.4% y-o-y
- ▲ Henan's ASP grew by 1.3% y-o-y to RMB6,491/ sq.m. vs nationwide ASP growth of 3.3% at RMB9,638 /sq.m.
- ▲ Some tier 3,4 cities in Henan recorded strong growth, such as Luohe +33.4%, Luoyang +26.8%, Anyang +25.9%
- ▲ Zhengzhou contracted sales declined by 18.7% y-o-y, representing 41.1% of the Henan property market, with Zhengzhou ASP decreasing by 3.2% y-o-y to RMB9,440/sq.m.

## Contracted Sales

Henan 2015-2019 22.9% CAGR ZZ 2015-2019 24.2% CAGR KF 2015-2019 24.6% CAGR LY 2015-2019 19.5% CAGR Others 2015-2019 22.4% CAGR

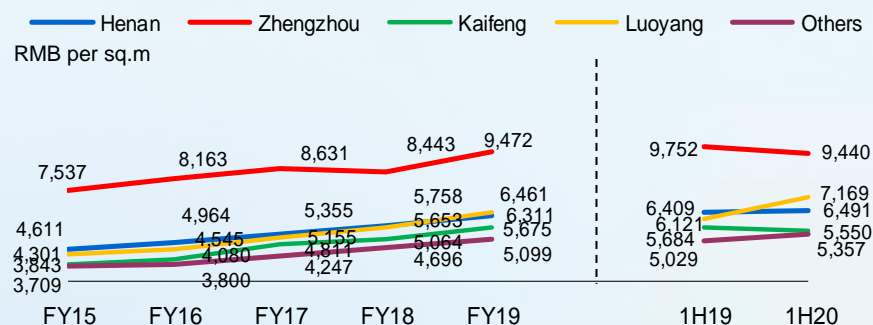


## 1H20 Contracted Sales Growth by Cities

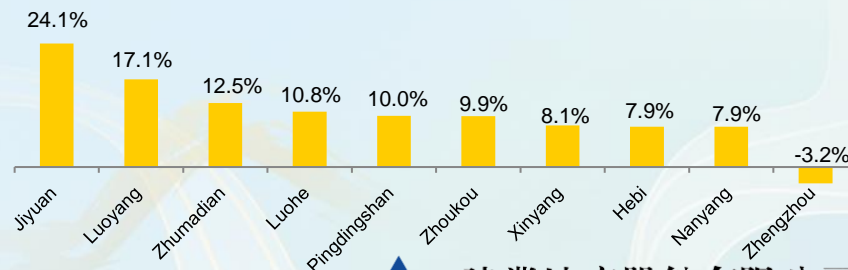


## ASP

Henan 2015-2019 8.2% CAGR ZZ 2015-2019 5.9% CAGR KF 2015-2019 10.2% CAGR LY 2018-2019 10.7% CAGR Others 2015-2019 8.3% CAGR



## 1H20 ASP Growth by Cities



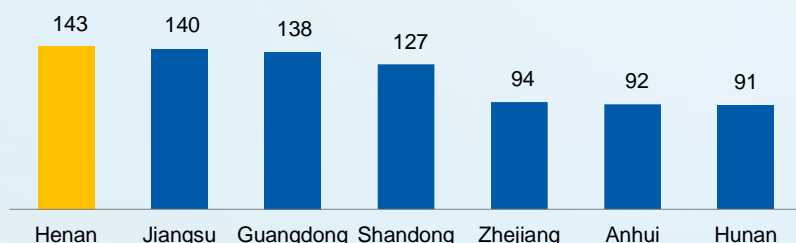
# A Market with Strong Growth Potential

- Property market ranked No.1 largest by GFA sold, representing 8.3% of China's total property GFA sales for 2019
- Henan has a large population of 109 mn with rising urban disposable income per capita at RMB34,201 in 2019, up 7.3% y-o-y
- Rising urbanization rate of Henan at 53.2% in 2019 (up 1.5 p.p.) vs nationwide average urbanization rate of 60.6% (up 1 p.p.)
- Currently ranked 5<sup>th</sup> largest economy in China with GDP approximately USD370.8 billion, representing 5.6% of China's total GDP for 1H20
- End-user market with high affordability, with average housing price at 8.8 times annual household disposal income

## 2019 Contracted Sales GFA – Sizeable Market

(mm sqm)

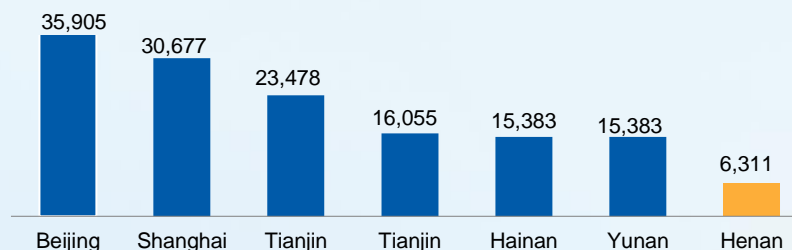
**Ranked No. 1 nationwide**



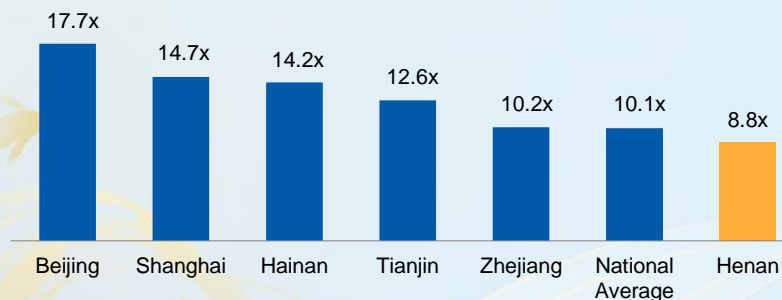
## 2019 ASP<sup>3</sup> – Significant Room for Growth (RMB psm)

(RMB psm)

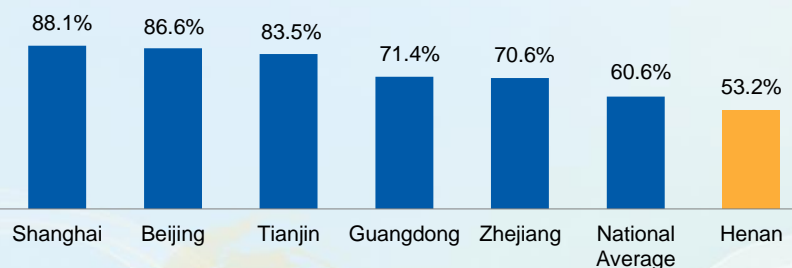
**Ranked No. 21 nationwide**



## 2019 Affordability Ratio<sup>2</sup> – Highly Affordable Properties



## 2019 Urbanization Rate – Strong Underlying Potential



Source: Provincial Statistics 2019 & 1H20;

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

# Market Outlook

## The Macro-Economy Environment

- ▲ In the first half of 2020, COVID-19 pandemic raided across the globe with giant impact on the world's economy. China has contained the pandemic effectively on a timely basis, and became the first country to fully resume economic activities. Having mitigated adverse impact brought by the pandemic gradually, China's economy gained momentum for restorative growth and steady recovery. China's economy in 2Q2020 increased by 3.2% year-on-year, thus market sentiment will continue to improve, and social development will remain stable. It demonstrated that China's economy has strong resilience to offset external impact, and the fundamentals of China's long-term economic growth remain unchanged
- ▲ In the second half of 2020, under the condition that the domestic epidemic situation has been basically controlled, China's economy is expected to improve in successive quarters. However, due to the circulated pandemic caused by imported cases, impeded international trade and trade friction between the United States and China, we should remain vigilant against the risks brought by various uncertainties. Considering the economic growth is still in recovery and the employment pressure, it's expected that our policies will remain stable in the second half of the year. The increasing credit and massive financial support will continue to facilitate economic growth in the second half of the year

## The Property Market

- ▲ In the first half of 2020, the central government controlled the regulation direction of real estate, many local governments introduced real estate support policies after taking into consideration of both the supply and demand: local governments will implement the strategy of "One Policy for One City" to ensure the smooth development of the market. In the second half of 2020, the real estate is still under strict financial regulation, expecting land market demand gradually returns to be rational and the real estate market will be in a pattern characterized by "market size adjustment, stable housing prices, steady rise of new construction and rapid growth in investment". Adhering to the main tone of "Houses are for accommodation", it is unlikely to loosen the industry policies. Local governments will implement the strategy of "One Policy for One City"
- ▲ In the first half of 2020, Henan Province supported to prevent and resolve risks in the real estate market on multiple aspects, such as further enlarging the urban framework, introducing talent subsidy policy, and accelerating economic development. At the same time, Henan increased its investment on development of the central Zhengzhou and two major metropolitan areas of Zhengzhou and Luoyang. Affected by COVID-19, Zhengzhou's land market witnessed both supply and demand decline year-on-year, but land transaction prices remained high. In the second half of 2020, under the general tone of maintaining stability, it is unlikely to loosen the industry policies. Local governments are expected to give greater support to the land sales and real estate transaction based on the principles of "One Policy for One City" and "supporting market entities"





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