



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. In 2019, CCRE has achieved full coverage in Henan province with presence in 18 prefecture cities and 104 county-level cities. As of 30 June 2020, the Company had over 12% market share in the 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 RMB56,830 mn in first eight months of 2020, Up 4.9% y-o-y

	Jan - Aug 2020	Jan - Aug 2019	Y-o-Y change
Heavy Assets Sales	38,621	35,834	7.8%
Light Assets Sales	18,209	18,346	-0.8%
Contracted Sales Total (RMB mn)	56,830	54,180	4.9%
Heavy Assets GFA	4,822,931	4,923,557	-2.0%
Light Assets GFA	3,096,973	3,238,975	-4.4%
Contracted Sales GFA Total (sq.m.)	7,919,904	8,162,532	-3.0%
Heavy Assets ASP	8,008	7,278	10.0%
Light Assets ASP	5,879	5,664	3.8%
Average Selling Price per sq.m. Total (RMB)	7,176	6,638	8.1%

In the month of August 2020, the contracted sales of Group’s heavy asset segment was RMB 5,260 mn, representing a y-o-y increase of 3.6%.

In the first eight months of 2020, the contracted sales of Group’s heavy asset segment was RMB 38,621 million, representing a y-o-y increase of 7.8%. The Group’s heavy asset contracted sales GFA amounted to 4,822,931 sq.m., representing a y-o-y decrease of 2.0%. The heavy assets ASP is RMB 8,008/sq.m., representing a y-o-y increase of 10.0%.

Stock Data (as at 14 September 2020)

Price/share: HK\$ 3.49	Market Cap: Approximately HK\$9.799 bn	52-Week Range: HK\$3.21 – HK\$5.11	Shares Outstanding: 2,808 mn shares
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The monthly heavy assets contracted sales in August were supported by:

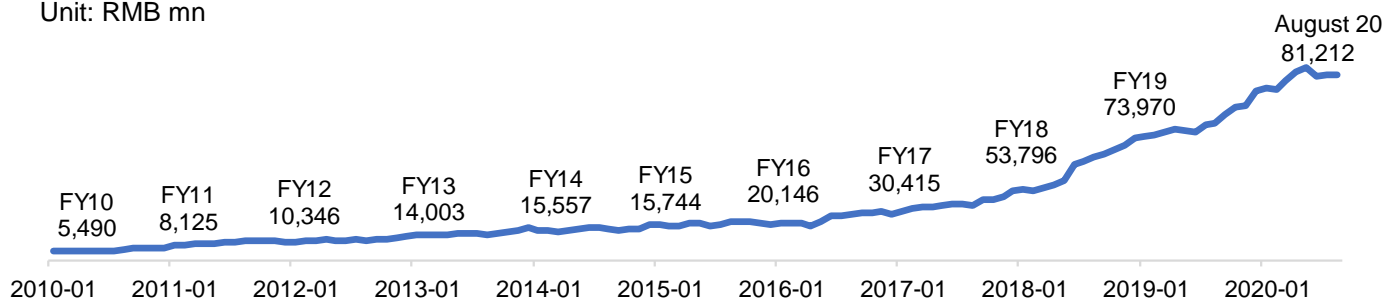
- i. Zhengzhou projects accounted for approximately 13% of the sales;
- ii. Tier 3 & 4 cities projects in Henan accounted for 76% of the sales;
- iii. County level cities projects in Henan contributed 11% of the sales;
- iv. Contracted sales continue to be diversified, with sales contribution from 308 projects/phases located in the 2nd, 3rd, 4th tier cities and county level cities in Henan;
- v. 77% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

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

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Anyang	Central China Phoenix city	333	50,199	6,631
Luoyang	Code Two City	316	29,678	10,661
Zhengzhou	Taihong International City	211	15,616	13,490
Zhengzhou	Wulong New City	201	13,190	15,223
Nanyang	Longyue City	113	13,214	8,546
Luoyang	Binghe Long Palace	94	8,194	11,451
Yichuan	Jianye Dragon Palace	75	12,092	6,175
Xinxiang	Chinoiserie Palace	72	6,243	11,545
Zhengzhou	Art Mansion	69	4,429	15,506
Zhumadian	Chinoiserie Palace	65	7,491	8,636
Xinyang	XinYang Mansion	62	8,126	7,692
Zhengzhou	North Longhu Financial Island	62	2,161	28,675
Puyang	Dragon Palace	60	12,858	4,698
Kaifeng	The Cullinan	60	6,539	9,206
Jiaozuo	Chinoiserie Palace	60	7,829	7,655
Hebi	Chinoiserie Palace	48	5,068	9,444
Shangqiu	Chengyuan	45	7,167	6,335
Dengfeng	Zhongyue Industrial Cultural Park	44	6,033	7,279
Shangqiu	Art Mansion	43	5,439	7,836
Zhengzhou	Grand Mansion	42	3,636	11,572
	Others	3,185	451,621	7,052
	Total	5,260	676,823	7,772

12-Month Rolling Heavy Assets Contracted Sales Trend

Unit: RMB mn





Major Project Launch

In the month of August, CCRE launched 4 new projects/phases. The aggregate saleable resource of the new launch is RMB 1,341 mn. The first day of launch achieved an average sales/subscription rate of 55%, with sales subscription to be converted into contracted sales over the coming months.

Summary of the Major Projects Launched in August 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 (%)
Anyang Jianye Fenghuang City	09/08/2020	210	179	85%	30,698	26,400	86%
Anyang Jianye City	22/08/2020	281	197	70%	41,290	28,859	70%
Luoyang Jianye Code Two City Phase III	22/08/2020	775	348	45%	76,607	34,048	44%
Luoyang Jianye Code Two City Phase III Carpark	22/08/2020	75	13	18%	680	123	18%
Total		1,341	737	55%	149,275	89,430	60%

Henan Property Market Sales Down 1.7% yoy in 7M2020, CCRE Achieves Market Share of 11.2%

In the first seven months of 2020, the Henan real estate market contracted sales was down 1.7% y-o-y to RMB428.07 bn (7M2019: RMB435.33 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (including heavy asset and light asset) for the first seven months of 2020 reached RMB48.06 bn, representing a market share of 11.2%¹ for the total Henan real estate market.

Henan transaction volume in the first seven months of 2020 reached 64.99 mn sq.m., representing a y-o-y decrease of 3.8% (7M2019: 67.59 mn sq.m.). In terms of contracted GFA, as at the end of July 2020, CCRE accounted for 10.2%² of the overall Henan real estate market. The average transacted price for property sales in Henan for the first seven months of 2020 was RMB6,587 /sq.m., up 2.3% y-o-y (7M2019: ASP RMB6,441 /sq.m.).

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

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



Land Acquisition

In accordance with our development strategy, in August 2020, the Company acquired a total of 8 new land plot in Anyang, Mengzhou County in Jiaozuo, Wuzhi County in Jiaozuo, Luoyang, Luoshan County in Xinyang, Zhoukou with a land premium attributable to CCRE of RMB1,521 mn and an estimated attributable GFA of 831,706 sq.m. with average land cost of RMB1,790/sq.m..

A Summary of the Land Acquisition in 2020 (first eight months 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	Shijawan 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	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 Mansion	Dengfeng	Land Auction	R, K	1,514	63,419	96	63,419	100%
12/06/2020	Zhumadian Spring Time	Zhumadian	Acquisition	R, K	1,307	356,952	257	196,323	55%
24/06/2020	Zhoukou Jianye City	Zhoukou	Land Auction	C, K	912	404,337	369	404,337	100%
08/07/2020	Zhongmu Guandu Project	Zhengzhou Zhongmu County	Acquisition	R	3,798	30,203	115	30,203	100%
09/07/2020	Huaiyang Pingan Road Project	Zhoukou	Equity Cooperation	R, C, K	1,693	274,318	372	219,454	80%
10/07/2020	Anyang Yingbin Beiyuan West Plot	Anyang	Acquisition	C, K	2,626	150,620	120	45,562	30%
22/07/2020	Huaxian West Lake Project West Plot	Anyang Hua County	Equity Cooperation	R, K	1,093	150,942	84	76,980	51%
24/07/2020	East Plot of Anyang CITIC Project (Jianye Phoenix City)	Anyang	Acquisition	R, C, K	1,641	271,219	135	82,044	30%
06/08/2020	Anyang Yingbin Beiyuan East Land	Anyang	Land Auction	R, K	2,459	154,922	194	79,010	51%
13/08/2020	Mengzhou Huichang Road	Jiaozuo Mengzhou County	Land Auction	R, C, K	935	111,003	104	111,003	100%
14/08/2020	Wuzhi South Block of Heshuo Avenue	Jiaozuo Wuzhi County	Land Auction	R, C, K	1,019	178,148	182	178,148	100%
17/08/2020	Huayang Fengdu Phase II	Luoyang	Equity Cooperation	R, C, K	2,645	152,959	405	152,959	100%
19/08/2020	Luoshan County Bei'an Road Project	Xinyang Luoshan County	Land Auction	R, C, K	1,996	133,668	267	133,668	100%
19/08/2020	Gaoxin Zone Tianzhongdong Road Project	Luoyang	Land Auction	R, C, K	2,648	102,897	272	102,897	100%
26/08/2020	Huaiyang Shennong Road Project	Zhoukou	Acquisition	R, C, K	1,052	107,718	34	32,316	30%
28/08/2020	Anyang Duolun Sky Mansion	Anyang	Acquisition	R, K	1,516	139,017	63	41,705	30%
			Total		1,397	5,612,527	5,519	4,042,144	

Land Bank Summary as at 31 August 2020

As at 31 August 2020, the estimated total land reserve GFA for new development is approximately 54.17 mn sq.m., (with attributable GFA of 41.26 mn sq.m.) at an average cost of RMB1,230/sq.m..

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



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 (Sqrm)
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

Haitong International

On 26 August 2020, Haitong initiated an equity research report titled “1H20 results: Maintain sales target of RMB80 bn in FY20”. The analyst highlighted CCRE maintained its full year contracted sales target of heavy assets of Rmb80bn in 2020, of which Rmb30bn was locked-in in 1H20. Managements expect revenue from light asset business to grow with 20-30%YoY in coming years, driven by expansion and collaboration in surrounding provinces of Henan. GPM fell to 24% from 26% in FY19, mainly due to GPM of car parks sales decreased, and sales de-stocking strategy in some cities in the first half. GPM of projects sold in 1H20 was around 22%. Management believe a 20-25% GPM is reasonable level for the sector in future. CCRE owns RMB76 bn unrecognized sales as end of 1H20. The analyst expected Rmb27bn to be booked as revenue in 2H20 and maintained revenue and earnings forecasts for FY20-22. Haitong reiterated “Buy” rating on CCRE and gave the target price of HK\$7.23 based on a 70% discount to estimated NAV HK\$24.11.

AMTD

On 27 August 2020, AMTD securities issued an equity research report titled “Solid 1H20 results, earnings growth on track”. The analyst believed that the company delivered solid 1H performance and expected to achieve the FY2020 target. The analyst estimated CCRE will achieve 28% YoY core net profit growth, with 31% of core net profit in the 1H2020. AMTD securities believed stringent cost control to manage gross profit margin and contained the rising trend of unsold inventory are manly the key to help developers to generate free cash flows for future growth. In addition, the dividend payout ratio declined in the first half of the year was mainly due to the high base in last year. AMTD securities believes that even if the company cuts the dividend payout rate to a constant level of 30% in the future, the dividend yield will still be at an attractive level of 9%. The stock is trading at an attractive valuation of 3.5x 2020E P/E; therefore, AMTD securities reiterated a “Buy” rating on CCRE and gave the target price of HK\$6.10.

BOCOM International

On 27 August 2020, BOCOM issued an equity research report titled “Results slightly missed on margin and dividend payout ratio”. CCRE’s 1H20 revenue increased 43.6% YoY to RMB13.0 bn due to the scale-up of delivery. However, lower net profit margin and interim DPS were slightly below BOCOM’s expectation. With softer-than-expected margin outlook, BOCOM slightly revised NAV estimation to HK\$12.22 , increased the net asset value discount by 55%,and given the target price down to HK\$5.50. BOCOM believed that the current valuation at 2.7x FY21E P/E and over 70% discount to NAV has already priced in most negative factors. BOCOM also believed that light asset spin-off business will unlock CCRE’s fair value, which will be a long term catalyst to the stock price.



Broker Research Update

BNP (powered by Morningstar)

On 27 August 2020, BNP-Morningstar issued an equity research report titled “CCRE delivers steady set of interim 2020 results, land acquisition made a bright spot”. The analyst highlighted company’s contracted sales have recovered strongly since March, after a weak February sales performance affected by the pandemic; the analyst believed that the company will achieve its full-year sales target. During the pandemic period, the high cash collection at around 116% was very positive. Given the company’s operating scale, the analyst believed that company’s province-centric focus is a sound strategy, with rising market share 12% in Henan currently. The company reiterated that after achieving strong growth from 2016 to 2019, the future goal is to increase operational efficiency and improve financial management during the consolidation period. Morningstar believes that this strategy is consistent with other mid-sized developers. Furthermore, 81% of the company’s new land in the first half of the year was obtained through equity cooperation and acquisitions. Morningstar believes that this will enable the company to manage land costs in a better way. Therefore, Morningstar has reiterated “Buy” rating and gave the fair value price of HK\$4.62 per share.

CCBI

On 27 August 2020, CCBI issued an equity research report titled “More conservative targets in the consolidation period”. The analyst believed CCRE achieved decent results in 1H2020 with revenue growth of 44% and core profit +21% to RMB814 million. After a high growth period in 2016-2019, CCRE has entered into a consolidation period in 2020-2022. CCBI expected that the company’s sales will maintain a growth of 12-15%, gross profit margin will remain stable at 22-24%, and sales expenses will be reduced by 1-2%. CCRE is trading at 4x 2020F P/E, and the dividend yield for 2020-2021F is 8-10%, which is still defensive. CCBI maintained its “Outperform” rating and downed target price to HK\$4.60 based on a lower NAV estimation.

DBS Vickers

On 9 September 2020, DBS issued an equity research report titled “Buy for high dividend yield”. The analyst believed CCRE is entering a faster earnings growth phase which the revenue growth momentum will continue to be maintained, and expected CAGR to be 30% in 2019-2022. By the end of June, the sold and unrecognized sales amounted to RMB 93 billion, which has completely locked in DBS’s revenue estimates up to 2022. DBS believed that CCRE’s current dividend yield is attractive and recommended “Buy” rating. DBS lowered gross profit margin forecast by 1.5 percentage points and adjusted its 2020-2021 profit forecast, and lowered target price to HKD\$3.97 based on 4.2x P/E.



Recent IR Activities

Date	Event	Organizer	Location
26/08/2020	2020 Interim Results Presentation	CCRE	Conference Call
27/08/2020	Post Annual Results Management NDR	DBS Vickers	Conference Call
27/08/2020	Post Annual Results Management NDR	Haitong International	Conference Call
28/08/2020	Post Annual Results Management NDR	Deutsche Bank	Conference Call
28/08/2020	Post Annual Results Management NDR	BOCOM	Conference Call
28/08/2020	Post Annual Results Management NDR	BofA Securities	Conference Call
31/08/2020	Post Annual Results Management NDR	Deutsche Bank	Conference Call
31/08/2020	Post Annual Results Management NDR	Haitong International	Conference Call
01/09/2020	Post Annual Results Management NDR	Macquarie	Conference Call

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