

Newsletter

November 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. 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 RMB77,393 mn in First Ten Months of 2020, Up 5.0% y-o-y

	Jan - Oct 2020	Jan - Oct 2019	Y-o-Y change
Heavy Assets Sales	51,994	51,787	0.4%
Light Assets Sales	25,399	21,949	15.7%
Contracted Sales Total (RMB mn)	77,393	73,736	5.0%
Heavy Assets GFA	6,575,285	6,490,078	1.3%
Light Assets GFA	4,271,741	3,875,953	10.2%
Contracted Sales GFA Total (sq.m.)	10,847,026	10,366,031	4.6%
Heavy Assets ASP	7,908	7,979	-0.9%
Light Assets ASP	5,946	5,663	5.0%
Average Selling Price per sq.m. Total (RMB)	7,135	7,113	0.3%

In the month of October 2020, the contracted sales of Group’s heavy asset segment was RMB 6,862 mn, representing a y-o-y increase of 2.3%.

In the first ten months of 2020, the contracted sales of Group’s heavy asset segment was RMB 51,994 million, representing a y-o-y increase of 0.4%. The Group’s heavy asset contracted sales GFA amounted to 6,575,285 sq.m., representing a y-o-y increase of 1.3%. The heavy assets ASP is RMB 7,908/sq.m., representing a y-o-y decrease of 0.9%.

Stock Data (as at 16 November 2020)

Price/share: HK\$ 4.37	Market Cap: Approximately HK\$12.356 bn	52-Week Range: HK\$3.24 – HK\$5.11	Shares Outstanding: 2,827 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 October were supported by:

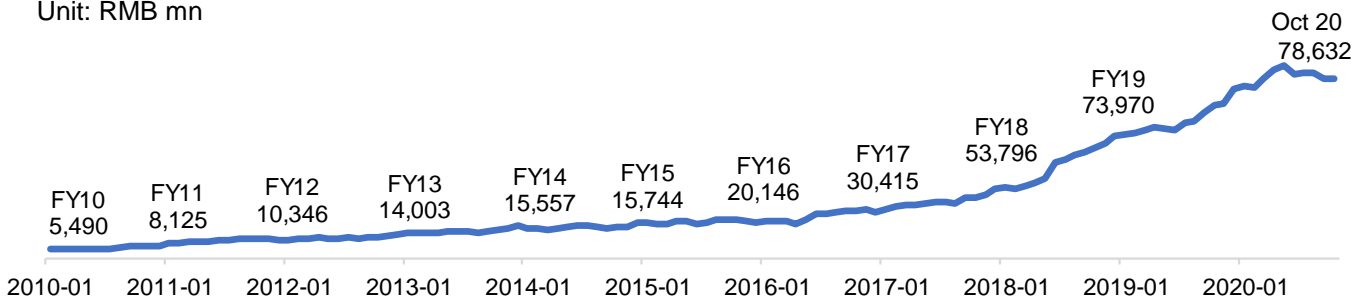
- Zhengzhou projects accounted for approximately 8% of the sales;
- Tier 3 & 4 cities projects in Henan accounted for 30% of the sales;
- County level cities projects in Henan contributed 62% of the sales;
- Contracted sales continue to be diversified, with sales contribution from 244 projects/phases located in the 2nd, 3rd, 4th tier cities and county level cities in Henan;
- 86% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

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

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Nanyang	Longyuecheng	509	60,812	8,371
Luoyang	Luoyang Code Two City	214	20,806	10,294
Zhengzhou	Art Mansion	204	10,753	18,975
Yima	Yima Chinoiserie Palace	134	27,041	4,946
Jiyuan	Jiyuan Jianye City Phase II	131	18,456	7,091
Luoyang	Binhe Long Palace	125	9,887	12,608
Zhumadian	Spring Time	117	19,421	6,049
Zhoukou	Shiyue Mansion	117	14,174	8,253
Shangqiu	Art Mansion	113	14,315	7,920
Luoyang	Dingding Palace	112	8,946	12,543
Pingdingshan	Pingxi Honour mansion	112	15,171	7,377
Zhengzhou	Wulong City (Century New City)	99	6,416	15,357
Zhengzhou	Jianye Beverly Palace	86	10,753	8,003
Shangqiu	Future Town	81	14,984	5,413
Luoyang	Mengjin Dacheng Xiao Yuan	79	10,851	7,301
Zhengzhou	Taihome Internaional City	70	5,529	12,654
Zhumadian	Chinoiserie Palace	69	8,570	8,059
Pingdingshan	Spring Time	66	7,893	8,305
Jiaozuo	Chinoiserie Palace	64	8,432	7,644
Dengfeng	Dengfeng Zhongyue Industrial Cultural Park	64	8,050	7,913
	Others	4,296	631,675	6,801
Total		6,862	932,936	7,355

12-Month Rolling Heavy Assets Contracted Sales Trend

Unit: RMB mn



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Major Project Launch

In the month of October, CCRE launched 6 new projects/phases. The aggregate saleable resource of the new launch is RMB 830 mn. The first day of launch achieved an average sales/subscription rate of 42%, with sales subscription to be converted into contracted sales over the coming months.

Summary of the Major Projects Launched in October 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 (%)
Pingdingshan Jianye Pingxi Zunfu Phase I Batch II	17/10/2020	115	84	73%	16,442	11,820	72%
Yima Jianye Chinoiserie Palace	18/10/2020	358	110	31%	79,707	24,394	31%
Yima Jianye Chinoiserie Palace Carpark	18/10/2020	14	6	41%	249	102	41%
Jiyuan Jianye City (West)	24/10/2020	168	84	50%	24,864	13,222	53%
Puyang Code One City Phase VI	24/10/2020	89	60	68%	15,260	10,306	68%
Jiaozuo Spring Time	30/10/2020	85	5	6%	15,197	638	4%
Total		830	349	42%	151,720	60,482	40%

Henan Property Market Sales Up 0.4% yoy in 9M2020, CCRE Achieves Market Share of 11.1%

In the first nine months of 2020, the Henan real estate market contracted sales was up 0.4% y-o-y to RMB594.96 bn (9M2019: RMB592.42 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (including heavy asset and light asset) for the first nine months of 2020 reached RMB66.31 bn, representing a market share of 11.1%¹ for the total Henan real estate market.

Henan transaction volume in the first nine months of 2020 reached 90.08 mn sq.m., representing a y-o-y decrease of 2.4% (9M2019: 92.25 mn sq.m.). In terms of contracted GFA, as at the end of September 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 nine months of 2020 was RMB6,605 /sq.m., up 2.9% y-o-y (9M2019: ASP RMB6,422 /sq.m.).

Notes: ¹CCRE's contracted sales as at 30 September 2020 / Total contracted sales of Henan Province as at 30 September 2020 from Henan Provincial Bureau of Statistics;

²CCRE's contracted GFA as at 30 September 2020 / Total contracted GFA of Henan Province as at 30 September 2020 from Henan Provincial Bureau of Statistics.

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Land Acquisition

In accordance with our development strategy, in October 2020, the Company acquired a total of 5 new land plots in Shangqiu, Yanling County in Xuchang, Zhumadian, Luoyang with a land premium attributable to CCRE of RMB1,926 mn and an estimated attributable GFA of 872,491 sq.m. with average land cost of RMB2,045/sq.m..

A Summary of the Land Acquisition in 2020 (10M2020) 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	Shijianwan 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%
11/09/2020	Zhecheng Wuling Mountain Road Project	Shangqiu Zhecheng County	Acquisition	R, K	630	108,235	27	43,294	40%
29/09/2020	Taiqian Minsheng Road Project	Puyang Taiqian County	Land Auction	R, K	954	242,994	118	123,927	51%
29/09/2020	Luoyang Zhonghong Central Plaza	Luoyang	Equity Cooperation	R, C, K	2,811	588,712	287	102,083	17%
13/10/2020	Shangqiu Huashang Avenue Project	Shangqiu	Equity Cooperation	R, K	1,535	301,930	236	153,984	51%
16/10/2020	Yanling Eco City	Xuchang Yanling County	Equity Cooperation	R	2,439	33,220	65	26,576	80%
16/10/2020	Zhumadian Chinoiserie Mansion Second Batch II	Zhumadian	Equity Cooperation	R, K	1,281	194,537	135	105,050	54%
21/10/2020	Luoyang Luoshen Plaza	Luoyang	Equity Cooperation	R, K	2,539	586,881	1,490	586,881	100%
Total					1,575	7,669,035	7,877	5,183,938	

Land Bank Summary as at 31 October 2020

As at 31 October 2020, the estimated total land reserve GFA for new development is approximately 55.20 mn sq.m., (with attributable GFA of 41.41 mn sq.m.) at an average cost of RMB1,262/sq.m..

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

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Company News in November 2020

CCRE Proposed Spin-off of Property Project Management Business By Way of Introduction

On 10 November 2020, CCRE announced the proposed spin-off and separate listing of the shares of Central China Management Company Limited (“CCMC”, together with its subsidiaries, the “CCMC Group”) on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction. CCRE has successfully developed its property project management business by adopting an asset-light business model and pursuing blue ocean strategy. The Group believes that the CCMC Group is now ready to take its development to the next level. The spin-off of its operations with asset-light business model through a separate listing will unlock the true enterprise value of the CCMC Group and maximize the shareholder value. It is also a significant step towards a clearer positioning and a more focused business strategy for both CCRE and the CCMC Group. The Group is confident that the proposed spin-off will also help promote the CCRE brand and enhance its corporate image and brand awareness.

Recent IR Activities

Date	Event	Organizer	Location
19-23/10/2020	2nd China Fixed Income Summit	AMTD securities	Conference Call
20-21/10/2020	2020 Asia Credit Conference	JP Morgan	Conference Call
29-30/10/2020	Nomura Virtual Asia High Yield Corporate Day	Nomura	Conference Call
02-03/11/2020	Annual European Leveraged Finance Conference	Deutsche Bank	Conference Call
12-13/11/2020	2020 China Conference	BofA Securities	Conference Call

Broker Research Update

BOCOM International

On 11 November 2020, BOCOM issued an equity research report titled “Raise TP on asset-light business spin off plan”. The analyst highlighted that the spin-off of CCMC will unlock value and increase shareholder returns. With CCMC's net profit of 641 million RMB in 2019, and compared to Greentown Management, which is trading at 13x FY20E P/E, it is estimated that CCMC's market cap can reach HK\$9.8 billion, translating into HK\$3.5 per existing CCRE share. The analyst expected that after the spin-off, CCRE's profit margin and profits will fall, leading to a drop in valuation. Even assuming just 3x FY20E P/E for CCRE's property development business, the residual business will be still worth ~HK\$3.30. Taking into account the value creation and impact on CCRE's property development, and assuming a slight discount for uncertainty on spin-off timing, BOCOM maintained a “Buy” rating and raised CCRE's target price from HK\$5.50 to HK\$6.50.

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Broker Research Update

AMTD Securities

On 11 November 2020, AMTD published an equity research report titled “Asset-light Business Spin-off to Unlock 64% Valuation”. With Greentown Management now trading at 15.2x 2019 P/E, AMTD expects CCMC will be traded at a similar P/E Multiple, implying the valuation of CCMC will be at ~HK\$11.5bn. This implies a ~HK\$7.5bn of value accretion, or 64% of current CCRE’s market cap. CCRE is still trading at an attractive 4.1x 2020E Forward P/E. Assuming CCMC will be listed at a HK\$11.5bn valuation, AMTD believes CCRE should be re-rated, thus maintained its “Buy” rating and TP of HK\$6.10.

Guotai Juan securities

On 13 November 2020, GTJA published an equity research report titled “Harvesting From Asset-Light Business, Maintain ‘Accumulate’”. GTJA believes that the spin-off will unlock intrinsic value and benefit shareholders with further boosted dividend yield. Given net profit of RMB641 mn in 2019, and at 10x PER, the implied market cap of CCMC would be HK\$7.45 bn, or 57.6% of current market cap. GTJA also believes that CCRE is still on high growth track in its project management business with high net profit margin outlook. GTJA thus maintained its “Accumulate” rating and lifted its TP to HK\$5.90 to reflect gathering momentum in stock price and increasing buying interest from high-yield investors.

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