

Newsletter

April 2021

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 2020, CCRE has achieved full coverage in Henan province with presence in 18 prefecture cities and 104 county-level cities. As of 31 December 2020, the Company had over 10% 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 RMB16,515 mn in the first three months of 2021, up 22.6% y-o-y

	Jan – Mar 2021	Jan – Mar 2020	Y-o-Y change
Heavy Assets Sales	10,762	10,741	0.2%
Light Assets Sales	5,753	2,727	111.0%
Contracted Sales Total (RMB mn)	16,515	13,468	22.6%
Heavy Assets GFA	1,392,760	1,423,494	-2.2%
Light Assets GFA	999,297	492,865	102.8%
Contracted Sales GFA Total (sq.m.)	2,392,057	1,916,359	24.8%
Heavy Assets ASP	7,727	7,545	2.4%
Light Asset	5,757	5,532	4.1%
Average Selling Price per sq.m. Total (RMB)	6,904	7,028	-1.8%

In the month of March 2021, the contracted sales of Group’s heavy asset segment was RMB8,425 million, representing a y-o-y increase of 28.4%. The Group’s heavy asset contracted sales GFA amounted to 1,091,936 sq.m., representing a y-o-y increase of 12.0%. The heavy assets ASP is RMB7,716/sq.m., representing a y-o-y increase of 14.6%.

Stock Data (as at 15 April 2021)

Price/share: HK\$ 4.01	Market Cap: Approximately HK\$11.844 bn	52-Week Range: HK\$3.11 – HK\$4.87	Shares Outstanding: 2,953 mn shares
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Heavy Asset Contracted Sales in March were Supported by:

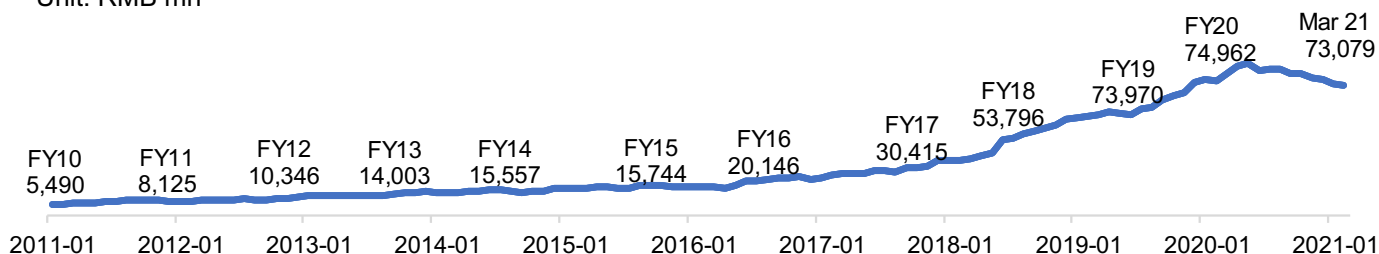
- Zhengzhou projects accounted for approximately 19% of the sales;
- Tier 3 & 4 cities projects in Henan accounted for 55% of the sales;
- County level cities projects in Henan contributed 26% of the sales;
- Contracted sales continue to be diversified, with sales contribution from 244 projects/phases located in the 2nd, 3rd, 4th tier cities and county level cities in Henan;
- 85% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

Summary Breakdown of the Heavy Assets Contracted Sales in March 2021:

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Luoyang	Dingding Palace	264	26,202	10,071
Puyang	Chinoiserie Palace	183	22,006	8,317
Zhengzhou	Jianye Taihong International City	176	12,990	13,538
Kaifeng	Majestic Mansion	147	15,741	9,341
Xinyang	Xinyang Mansion	147	18,550	7,916
Nanyang	Jianye Country Garden Longyue City	145	18,125	8,010
Shangqiu	Lianmeng Dongwang	145	26,227	5,516
Zhengzhou	Dengfeng Songyue Mansion	142	14,160	9,997
Shangqiu	Shangqiu Yuelong Mansion	127	17,560	7,236
Zhengzhou	Art Mansion	124	7,304	16,981
Shangqiu	Art Mansion	120	15,590	7,729
Zhengzhou	Jianye Cheng Yuan	119	11,608	10,283
Shangqiu	Yucheng Jianye Shangshui Hucheng Phase II	117	22,563	5,174
Zhoukou	Jianye Binhe Courtyard	114	18,544	6,172
Shangqiu	Xiayi Jianye City	100	19,765	5,070
Xuchang	Jianye Xinyi Yuan	100	13,897	7,210
Zhoukou	Jianye City	93	15,331	6,052
Xuchang	Xiangcheng CCRE Mall	88	15,338	5,712
Shangqiu	Chengyuan	85	13,392	6,323
Pingdingshan	Guangming Mansion	84	10,022	8,390
	Others	5,806	757,023	7,670
	Total	8,426	1,091,936	7,716

12-Month Rolling Heavy Assets Contracted Sales Trend

Unit: RMB mn



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Major Project Launch

In the month of March, CCRE launched 3 new projects/phases. The aggregate saleable resource of the new launch is RMB 233 mn. The first day of launch achieved an average sales/subscription rate of 30%, with sales subscription to be converted into contracted sales over the coming months.

A Summary of the Major Projects Launched in March 2021 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 Chinoiserie Palace High level	25/03/2021	107	11	10%	12,766	1,305	10%
Dengfeng Songyue Mansion Project Phase II	27/03/2021	93	34	37%	11,557	4,640	40%
Dengfeng Songyue Mansion Project Phase II Carpark	27/03/2021	33	24	73%	350	258	74%
Total		233	70	30%	24,673	6,203	25%

Henan Property Market Sales Up 77.7% yoy in 2M2021, CCRE Achieves Market Share of 9.9%

In the first two months of 2021, the Henan real estate market contracted sales was up 77.7% y-o-y to RMB59.25 bn (2M2020: RMB33.35 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (including heavy asset and light asset) for the first two months of 2021 reached RMB5.88 bn, representing a market share of 9.9%¹ for the total Henan real estate market.

Henan transaction volume in the first two months of 2021 reached 8.99 mn sq.m., representing a y-o-y increase of 72.8% (2M2020: 5.21 mn sq.m.). In terms of contracted GFA, as at the end of February 2021, 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 two months of 2021 was RMB6,588 /sq.m., up 2.8% y-o-y (2M2020: ASP RMB6,406 /sq.m.).

Notes: ¹CCRE's contracted sales as at 28 February 2021 / Total contracted sales of Henan Province as at 28 February 2021 from Henan Provincial Bureau of Statistics;
²CCRE's contracted GFA as at 28 February 2021 / Total contracted GFA of Henan Province as at 28 February 2021 from Henan Provincial Bureau of Statistics.

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Land Acquisition

In March 2021, the Company acquired a total of 3 new land plots in Zhengzhou, Huangchuan County in Xinyang and Luohe with a total land premium of RMB576 mn, estimated total GFA was 527,792 sq.m.; land premium attributable to CCRE was RMB238 mn and estimated attributable GFA was 207,712 sq.m. Average land cost was RMB1,091 /sq.m..

A Summary of the Land Acquisition in the first three months of 2021 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.)	Attr. Land Premium (RMB Mn)	Attributable GFA (sq.m.)	CCRE Int (%)
13/01/2021	Kuangshan Jixie Factory Plot II	Jiaozuo	Cooperation	R, C, K	2,440	159,445	389	159,445	100%
15/01/2021	Kuangshan Jixie Factory Plot III	Jiaozuo	Cooperation	R, C, K	2,389	139,573	333	139,573	100%
22/01/2021	Yingtaogou Football Town Batch I	Zhengzhou	Cooperation	R, K	4,326	208,554	902	208,554	100%
28/01/2021	Anyang Jianye City Phase IV	Anyang	Cooperation	R, C, K	1,533	318,227	249	162,296	51%
28/01/2021	Jiaozuo Hengshui Taihua Project	Jiaozuo	Acquisition	R, K	1,177	433,985	506	429,645	99%
18/02/2021	Luohe Longjiang Ecological City (Tianyue)	Luohe	Acquisition	R, C, K	993	406,402	206	207,265	51%
19/02/2021	Minquan Renmin Road West Plot (Long Mansion)	Shangqiu	Cooperation	R, C, K	745	246,665	73	98,666	40%
23/02/2021	Linzhou Century School Project (Jianye City)	Anyang Linzhou County	Acquisition	R, C, K	1,033	177,621	101	97,692	55%
15/03/2021	Zhengdong New District Zhong-Ao Center Project	Zhengzhou	Cooperation	C, K	1,864	56,337	63	33,802	60%
15/03/2021	Hong Xi Tai Project	Xinyang Huangchuan County	Cooperation	R, C, K	1,025	165,559	87	84,435	51%
24/03/2021	Luohe Long Jiang Eco-City (Lixiang City)	Luohe	Acquisition	C, K	984	305,895	88	89,474	29%
Total					1,516	2,618,263	2,997	1,710,847	

Land Bank Summary as at 31 March 2021

As at 31 March 2021, the estimated total land reserve GFA for new development is approximately 55.63 mn sq.m., (with attributable GFA of 41.10 mn sq.m.) at an average cost of RMB1,307/sq.m..

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

Light-Asset Model Business

As of 31 December 2020, the Group's asset-light business had 206 projects under management, up 40.1% y-o-y. The total GFA under management achieved 25.54 mn sq.m., representing a y-o-y increase of 20.9%. Amongst which, 13 of CCRE's light-asset projects were outside Henan Province, spreading across 6 provinces (Hainan, Xinjiang, Shanxi, Shaanxi, Hebei and Anhui), with a total contracted GFA of 1.32 mn sq.m..

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Broker Research Update

Haitong International

On 2 April 2021, Haitong initiated an equity research report titled “FY20 Results: High Payout Ratio in FY20”. The analyst highlighted CCRE revenue was up by 41% YoY, while net profit was down by 11% YoY, with 51% payout ratio. The analyst expect the lower gross profit margin to be sustained stably at 19% and 20% in FY21-22. Haitong reiterated “Outperform” rating on CCRE and gave the target price of HK\$6.28 based on 70% discount to updated NAV estimate.

DBS

On 7 April 2021, DBS issued an equity research report titled “All Eyes on the Upcoming Spin-off”. The analyst highlighted CCRE FY20 results were in-line, with dividend ahead of expectations, core earnings should grow at CAGR of 16% for FY20-22F. CCRE’s asset-light business may be worth HK\$6-7 bn post spin-off. DBS has reiterated a “Buy” rating on CCRE and gave the target price of HK\$4.79 based on an unchanged 4.4x FY21F PE on CCRE’s development earnings.

AMTD Securities

On 9 April 2021, AMTD maintained a “Buy” Rating on CCRE, as the analyst believed the stock remains undervalued, with the stock offering 10.5% dividend yield. The analyst expected the completion of the spin-off of Central China Management Company will be a positive catalyst to the stock. AMTD also expected a smooth transition for the new CEO. CCRE has been one of the early adopters of professional senior management among the China Property Developers to assist Chairman Mr. Wu Po Sum in the day to day management of the Company. The analyst pointed out contracted sales weakness since 2020 (down 4.8% YoY) has been key investor concern as it has been affected by COVID-19, while March heavy-asset contracted sales rising 28.4% YoY to RMB8.4bn, marking a strong rebound.

Guotai Junan Securities

On 12 April 2021, GTJA issued an equity research report titled “Growth on Greater Territory, Maintain ‘Accumulate’”. The analyst highlighted that CCRE delivered strong revenue growth at 40.8% YoY was a beat to his expectations. CCRE underlying shareholders’ net profit recorded strong growth of 29.8% YoY to RMB2,344mn, largely in line with the firm’s expectations. Under the new Greater Central China strategy, CCRE plans to expand into more cities in the 6 neighboring provinces of Henan. The analyst believed that the strategy should provide better room for the Company’s sustainable development. GTJA maintained an “Accumulate” rating on CCRE and gave the target price of HK\$4.50 based on 4.2x 2021F underlying PE and 0.8x 2021F PB.

Company News

Change of Chief Executive Officer

On 31 March 2021, CCRE announces that Mr. Yuan Xujun (“Mr. Yuan”) has notified the Board that he will resign as chief executive officer with effect from 31 March 2021, but will continue to serve the company as an executive Director, focusing on the development strategies of the Group. Mr. Yuan has confirmed that he has no disagreement with the Company or the Board and there are no other matters relating to his resignation as chief executive officer that need to be brought to the attention of the shareholders of the company. Mr. Wang has been appointed as the chief executive officer with effect from 31 March 2021.

CCRE Update on the Proposed Spin-off – Addition of Global Offering

On 7 April 2021, CCRE now intends to effect the proposed spin-off by way of both the distribution and also the global offering, which will comprise the Hong Kong public offering and the international offering (including the Preferential Offering). Details in respect of the Proposed Spin-off, including the size and structure of the Global Offering and the terms of the assured entitlement, have not yet been finalized and further announcement(s) will be made by the Company as and when appropriate.

Recent IR Activities

Date	Event	Organizer	Location
01/04/2021	2020 Annual Results Presentation	The Group	Conference Call
01/04/2021	Post Annual Results Management NDR-Covering Analysts	The Group	Conference Call
01/04/2021	Post Annual Results Management NDR	DBS	Conference Call
07/04/2021	Post Annual Results Management NDR	DBS	Conference Call
07/04/2021	Post Annual Results Management NDR	Deutsche Bank	Conference Call
07/04/2021	Post Annual Results Management NDR	BOCOM	Conference Call
07/04/2021	Post Annual Results Management NDR	Haitong International	Conference Call
08/04/2021	Post Annual Results Management NDR	Deutsche Bank	Conference Call
08/04/2021	Post Annual Results Management NDR	BofA Securities	Conference Call
09/04/2021	Post Annual Results Management NDR	Guotai Junan International	Conference Call
14/04/2021	Post Annual Results Management NDR	Huaxi Securities	Conference Call
14/04/2021	Post Annual Results Management NDR	Jefferies Securities	Conference Call
15/04/2021	Post Annual Results Management NDR	BNP Paribas	Conference Call

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