

**Central China Real Estate Limited** is one of the leading Henan-based property developers which focuses on developing high-quality residential properties. With 29 years of development history, CCRE is the pioneer in adopting a “Provincial Strategy” and has achieved full coverage in Henan province with presence in 18 prefecture cities and 104 county-level cities in 2019. In 2021, CCRE has embarked on a new development era by adopting the Great Central China Strategy and expanding outside of Henan to serve the Central China region. Known for its outstanding product quality, strong brand and experienced management team, the Company ranked first in terms of brand value among real estate companies in the Central China region by China Index Academy, and ranked 314<sup>th</sup> in the Fortune 500 China List in 2020.

## LATEST NEWS

### **CCRE Achieved Contracted Sales of RMB7,567 mn in May 2021, up 29.2% y-o-y**

For the five months ended 31 May 2021, the Group achieved total property contracted sales of RMB21,536 million, representing a y-o-y decrease of 1.8%, with a total contracted sales GFA of 2,798,131 sq.m., representing a y-o-y increase of 2.4%. The ASP per sq.m. for the five months ended 31 May 2021 amounted to RMB7,696, representing a y-o-y decrease of 4.1%.

	Jan – May 2021	Jan – May 2020	Y-o-Y change
<b>Contracted Sales (RMB mn)</b>	21,536	21,932	-1.8%
<b>Contracted Sales GFA (sq.m.)</b>	2,798,131	2,732,422	2.4%
<b>Average Selling Price per sq.m. (RMB)</b>	7,696	8,026	-4.1%

In the month of May 2021, the Group achieved property contracted sales of RMB7,567 million, representing a y-o-y increase of 29.2%. The Group’s contracted sales GFA amounted to 982,498 sq.m., representing a y-o-y increase of 48.6%. The ASP for May 2021 amounted to RMB7,702/sq.m., representing a y-o-y decrease of 13.0%.

	May 2021	May 2020	Y-o-Y change
<b>Contracted Sales (RMB mn)</b>	7,567	5,855	29.2%
<b>Contracted Sales GFA (sq.m.)</b>	982,498	661,219	48.6%
<b>Average Selling Price per sq.m. (RMB)</b>	7,702	8,855	-13.0%

### **Stock Data (as at 16 June 2021)**

<b>Price/share:</b> HK\$ 1.92	<b>Market Cap:</b> Approximately HK\$5.697 bn	<b>52-Week Range:</b> HK\$1.70 – HK\$4.87	<b>Shares Outstanding:</b> 2,967 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

June 2021

## Contracted Sales in May were Supported by:

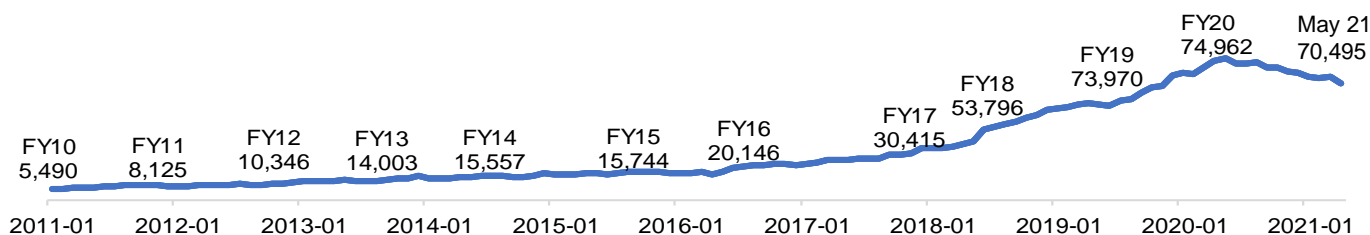
- Zhengzhou projects accounted for approximately 19% of the sales;
- Tier 3 & 4 cities projects in Henan accounted for 60% of the sales;
- County level cities projects in Henan contributed 21% of the sales;
- Contracted sales continue to be diversified, with sales contribution from 232 projects/phases located in the 2nd, 3rd, 4th tier cities and county level cities in Henan;
- In May, 84% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

## Summary Breakdown of the Contracted Sales in May 2021:

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Zhengzhou	Zhengzhou Jianye Fuju Huayuankou	378	18,336	20,636
Hebi	Hebi Jianye Longmen No. 7 Courtyard	337	46,656	7,224
Shangqiu	Chinoiserie Palace	301	36,729	8,206
Jiaozuo	Jiaozuo Jianye Mansion	194	22,377	8,678
Zhengzhou	Zhengzhou Jianye Taihong	174	11,533	15,085
Luohe	Luohe Changjian Lixiang Cheng	99	15,432	6,417
Luoyang	Dingding Palace	84	8,121	10,309
Zhumadian	Chinoiserie Palace	82	9,584	8,504
Nanyang	Nanyang Jianye Country Garden Longyue City	80	10,065	7,940
Xuchang	Xuchang Jianye Xinyi Yuan	76	10,179	7,487
Zhengzhou	Bei Longhu Jinrong dao	73	2,591	28,084
Zhengzhou	Chengyuan	69	4,539	15,217
Zhengzhou	Gongyi Chinoiserie Palace	69	7,153	9,614
Zhoukou	Huaiyang Jianye Binhe Yuanzi	65	10,550	6,197
Zhengzhou	Dengfeng Songyue Mansion	63	8,514	7,417
Xinyang	Xinyang Mansion	62	8,006	7,794
Shangqiu	Shangqiu Yuelong Mansion	60	8,551	7,027
Zhengzhou	Art Mansion	54	2,653	20,524
Zhoukou	Jianye City	53	8,954	5,909
Xinxiang	Xinxiang U-Town	51	6,811	7,531
	Others	5,141	725,165	7,090
	<b>Total</b>	<b>7,567</b>	<b>982,498</b>	<b>7,702</b>

## 12-Month Rolling Heavy Assets Contracted Sales Trend

Unit: RMB mn



### Major Project Launch

In the month of May, CCRE launched 8 new projects/phases. The aggregate saleable resource of the new launch is RMB1,704 mn. The first day of launch achieved an average sales/subscription rate of 45%, with sales subscription to be converted into contracted sales over the coming months.

### A Summary of the Major Projects Launched in May 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 (%)
Zhumadian Jianye Tianzhong Mansion	01/5/2021	8	2	30%	1,280	384	30%
Hebi Longmen No. 7 Courtyard	22/5/2021	522	286	55%	80,032	39,803	50%
Shangqiu Jianye Chinoiserie Palace	22/5/2021	179	107	60%	23,725	13,740	58%
Shangqiu Yucheng Shanshui Hucheng	28/5/2021	108	11	10%	19,144	2,066	11%
Jiaozuo Jianye Palace High Level	29/5/2021	275	150	55%	35,050	19,107	55%
Jiaozuo Jianye Palace	29/5/2021	320	126	39%	31,799	12,464	39%
Xuchang Jianye Xinyiyuan	30/5/2021	105	60	57%	13,938	7,945	57%
Zhengzhou Art Mansion Phase II	31/5/2021	188	20	11%	17,847	1,860	10%
<b>Total</b>		<b>1,704</b>	<b>761</b>	<b>45%</b>	<b>222,815</b>	<b>97,370</b>	<b>44%</b>

### Henan Property Market Sales Up 118.6% y-o-y in 4M2021, CCRE Achieves Market Share of 9.8%

In the first four months of 2021, the Henan real estate market contracted sales was up 118.6% y-o-y to RMB223.57 bn(4M2020: RMB102.28 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (including heavy asset and light asset) for the first four months of 2021 reached RMB21.92 bn, representing a market share of 9.8%<sup>1</sup> for the total Henan real estate market.

Henan transaction volume in the first four months of 2021 reached 33.09 mn sq.m., representing a y-o-y increase of 101.0% (4M2020: 16.46 mn sq.m.). In terms of contracted GFA, as at the end of April 2021, CCRE accounted for 9.7%<sup>2</sup> of the overall Henan real estate market. The average transacted price for property sales in Henan for the first four months of 2021 was RMB6,757 /sq.m., up 8.7% y-o-y (4M2020: ASP RMB6,214 /sq.m.).

\*CCMG completed its spin-off and separate listing on 31 May 2021, market share data of 4M2021 is based on total sales announced by CCRE before the spin-off.

Notes: <sup>1</sup>CCRE's contracted sales as at 30 April 2021 / Total contracted sales of Henan Province as at 30 April, 2021 from Henan Provincial Bureau of Statistics;

<sup>2</sup>CCRE's contracted GFA as at 30 April 2021 / Total contracted GFA of Henan Province as at 30 April 2021 from Henan Provincial Bureau of Statistics.



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## Land Acquisition

In May 2021, the Company acquired a total of 13 new land plots in Zhumadian, Shangqiu, Dengzhou County in Nanyang, Zhoukou and Huaibin in Xinyang with a total land premium of RMB1,529 mn. The estimated total GFA was 1,540,291 sq.m.; land premium attributable to CCRE was RMB955 mn and estimated attributable GFA was 1,065,945 sq.m.. The average land cost was RMB992 /sq.m..

### A Summary of the Land Acquisition in the first five 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%
16/04/2021	Zhumadian Jiaotong Road Party School Project	Zhumadian	Cooperation	R, K	1,576	133,511	81	51,402	39%
16/04/2021	Gushi Chunhe Road Project	Xinyang Gushi County	Acquisition	R, C, K	850	137,488	23	27,635	20%
21/04/2021	Suiping Fuqiang Road Project	Zhumadian Suiping County	Cooperation	R, K	803	161,894	91	113,326	70%
29/04/2021	Jiyuan Garden West Two Plots	Jiyuan	Cooperation	R, C, K	1,496	169,313	84	56,127	33%
29/04/2021	Luoyang Dacheng Xiaoyuan East Plot	Luoyang	Acquisition	R, K	332	126,521	14	43,017	34%
30/04/2021	Luohe Wuli Temple No.7 Land	Luohe	Acquisition	R, C, K	2,279	236,600	189	82,810	35%
07/05/2021	Zhumadian Lijing huating resettlement land plot	Zhumadian	Cooperation	TBC	642	33,326	6	9,692	29%
08/05/2021	Shangqiu Yangguang Road Project	Shangqiu	Cooperation	R, K	1,267	412,613	188	148,541	36%
17/05/2021	Dengzhou Yigao Project	Nanyang Dengzhou County	Acquisition	R, C, K	1,621	126,565	62	37,970	30%
21/05/2021	Zhoukou Eco-City allocation-Residential	Zhoukou	Cooperation	R, C, K	694	623,259	433	623,259	100%
21/05/2021	Zhoukou Eco-City allocation-Commercial	Zhoukou	Cooperation	C	1,586	97,863	155	97,863	100%
25/05/2021	Huaiyang Yudai Road Project	Zhoukou	Acquisition	R, C, K	1,165	39,232	16	13,731	35%
31/05/2021	Huaibin Luyan International Project	Xinyang Huaibin County	Cooperation	R, C, K	701	207,524	95	134,890	65%
<b>Total</b>					<b>1,325</b>	<b>5,123,881</b>	<b>4,434</b>	<b>3,151,109</b>	

## Land Bank Summary as at 31 May 2021

As at 31 May 2021, the estimated total land reserve GFA for new development is approximately 57.31 mn sq.m., (with attributable GFA of 41.85 mn sq.m.) at an average cost of RMB1,297/sq.m..

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

### Company News

#### Controlling Shareholder Increases Stake in CCRE

On 18 May 2021, Mr. Wu Po Sum (“Mr. Wu”), the Chairman, executive Director and controlling shareholder of the Company announced that, given the confidence in the future development prospects of the Company and the recognition of the Company’s intrinsic value, Mr. Wu, through Joy Bright Investment Limited (“Joy Bright”, a company wholly owned by Mr. Wu) plans for future shareholding increase in the Company within the following six months, and the cumulative total amount is expected to be approximately HK\$80,000,000 to HK\$100,000,000.

From 18 May to 11 June 2021, Mr. Wu, through Joy Bright, increased shareholding in the Company on the open market successively. As of 11 June 2021, Mr. Wu/Joy Bright acquired in aggregate 22,000,000 Shares at the average price of approximately HK\$2.11 per Share, and the amount paid for the acquisition was approximately HK\$46,500,000. Following the shareholding increase, the shareholding of Mr. Wu/Joy Bright increased from approximately 68.90% to 69.64% of the Company’s total issued shares as of 11 June 2021.

### Equity Research Update

#### BOCOM International

On 17 May 2021, BOCOM issued an equity research report titled “Don’t panic – discover the underlying value”. The analyst highlighted that CCRE has announced the distribution proposal on the spin-off of Central China Management, and ex-dividend on the distribution and FY20 final dividend took place on 13 and 14 May, respectively. With RMB88.7bn unrecognized sales locked-in for FY21 and FY22, even after adjustment for the loss of CCMGT’s profit on spin-off, CCRE is trading at only 1.6x pro forma FY22E P/E and as high as ~22% FY21E dividend yield. BOCOM maintain “Buy” with a target price of HK\$3.18 to reflect the impact of ex-dividend on spin-off and FY20 final dividend. Although the analyst believes the company’s shares could be under pressure in short term given the profit-taking after ex-dividend, he still sees deep value behind CCRE’s asset-heavy business and current share price as good entry point.

#### DBS

On 2 June 2021, DBS issued an equity research report titled “Mispriced and oversold”. The analyst highlighted that counter has been mispriced and oversold by the market upon the spin-off of its project management arm. The analyst believed that CCRE’s presales to record notable pick-up in May. With more new projects to launch from June onwards, CCRE will be able to achieve its presales target. CCRE is expected to be well on track to deliver 2-year earnings CAGR of c.27% ex-CCMC, with attractive dividend yield of between 11% and 17%. Also, the impact of spin-off on CCRE’s credit position is manageable and it will be able to meet existing bond covenants. Furthermore, stake increase from major shareholder will serve as valuation support. The analyst reiterated “Buy” rating on CCRE with TP of HK\$2.91, pegged to unchanged 4.4x FY21F P/E for its development business.

#### BNP Paribas - Morningstar

On 2 June 2021, Morningstar issued an equity research report titled “Henan-Focused PRC Developer With Plans for Geographical Expansion”. The analyst highlighted CCRE has spun off its asset-light project management business and seeks geographical expansion via its Greater Central China Strategy for growth moving forward. The analyst expected healthy earnings growth from 2021 onward. Due to strong contracted sales achieved in 2018-19 in line with listed developer peers, the analyst expects healthy revenue and earnings growth driven by the property development business moving forward, on the back of rising GFA deliveries from project completions. The shares are undervalued, trading at a depressed P/E ratio of about 2.2x 2021 earnings. The analyst revised CCRE’s fair value to HK\$2.92 based on a cost of equity of 12% and weighted average cost of capital of 9.2%, which translates to 3x P/E.

### Recent IR Activities

Date	Event	Organizer	Location
19/05/2021	Investor Conference Call	CNCBI	Conference Call
26/05/2021	2021 Financial Real Estate Equity and Credit Conference	Bofa Securities	Conference Call
01-02/06/2021	2021 Emerging Market Debt & Equity Conference	Bofa Securities	Conference Call
09/06/2021	2021 CCRE Online Reverse Roadshow	The Company	Conference Call
10/06/2021	DBS SG Equity and Fixed Income NDR	DBS	Conference Call
11/06/2021	Haitong Property Mgmt and Real Estate Equity Corporate Day	Haitong International	Conference Call
11/06/2021	Tianfeng Securities Shenzhen Equity NDR	Tianfeng Securities	Conference Call
15/06/2021	AMTD HK Equity and Fixed Income NDR	AMTD	Conference Call

### Upcoming IR Activities

Date	Event	Organizer	Location
16/06/2021	BNP Paribas Fixed Income NDR	BNP Paribas	Conference Call
16-17/06/2021	25th Annual European Leveraged Finance Corporate Day	Deutsche Bank	Conference Call
22/06/2021	Mizuho Tokyo Equity NDR	Mizuho Securities	Conference Call
23-24/06/2021	Citi Asia Pacific Property Conference	Citi Bank	Conference Call
30/06/2021	Taiwan Equity and Fixed Income NDR	Taiwan Securities	Conference Call

### Contact Us

Ms. Hazel Chan Investor Relations Manager

Tel 852 2992 7905

Fax 852 2620 5221

Email [hazelchan@centralchina.com](mailto:hazelchan@centralchina.com)

Ms. Christine Yang Senior Investor Relations Analyst

Tel 852 2992 7911

Fax 852 2620 5221

Email [christine@centralchina.com](mailto:christine@centralchina.com)

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# Newsletter

June 2021

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