

Newsletter

July 2021

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 314th in the Fortune 500 China List in 2020.

LATEST NEWS

CCRE Achieved Contracted Sales of RMB31,053 mn in 1H2021, with a lock-in ratio of 39% of 80bn FY Target

For the six months ended 30 June 2021, the Group achieved total property contracted sales of RMB31,053million, representing a y-o-y increase of 3.5%, with a total contracted sales GFA of 4,051,524 sq.m., representing a y-o-y increase of 9.9%. The ASP per sq.m. for the six months ended 30 June 2021 amounted to RMB7,664 representing a y-o-y decrease of 5.8%.

	Jan – Jun 2021	Jan – Jun 2020	Y-o-Y change
Contracted Sales (RMB mn)	31,053	30,016	3.5%
Contracted Sales GFA (sq.m.)	4,051,524	3,687,435	9.9%
Average Selling Price per sq.m. (RMB)	7,664	8,140	-5.8%

In the month of June 2021, the Group achieved property contracted sales of RMB9,517 million, representing a y-o-y increase of 17.7%. The Group's contracted sales GFA amounted to 1,253,392 sq.m., representing a y-o-y increase of 31.2%. The ASP for June 2021 amounted to RMB7,593/sq.m., representing a y-o-y decrease of 10.3%.

	Jun 2021	Jun 2020	Y-o-Y change
Contracted Sales (RMB mn)	9,517	8,085	17.7%
Contracted Sales GFA (sq.m.)	1,253,392	955,013	31.2%
Average Selling Price per sq.m. (RMB)	7,593	8,466	-10.3%

Stock Data (as at 14 July 2021)

Price/share: HK\$ 1.86	Market Cap: Approximately HK\$5.519 bn	52-Week Range: HK\$1.70 – HK\$4.87	Shares Outstanding: 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

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Contracted Sales in June were Supported by:

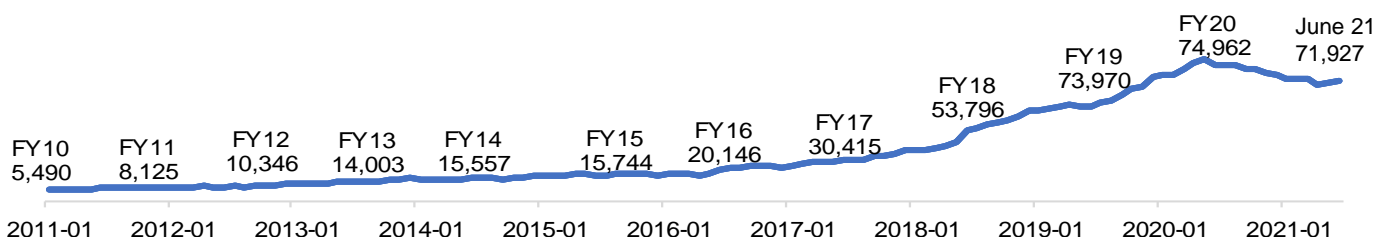
- Zhengzhou projects accounted for approximately 19% of the sales;
- Tier 3 & 4 cities projects in Henan accounted for 55% of the sales;
- County level cities projects in Henan contributed 26% of the sales;
- Contracted sales continue to be diversified, with sales contribution from 286 projects/phases located in the 2nd, 3rd, 4th tier cities and county level cities in Henan;
- In June, 84% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

Summary Breakdown of the Contracted Sales in June 2021:

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Shangqiu	Chinoiserie Palace	510	69,595	7,333
Luoyang	Dingding Palace	294	32,513	9,028
Shangqiu	Long Villa	199	33,514	5,940
Zhengzhou	Metro Polis	124	8,524	14,552
Zhumadian	Chinoiserie Palace	110	13,421	8,191
Zhoukou	Cathay Courtyard	102	15,700	6,490
Xuchang	Chinoiserie Palace	98	13,185	7,467
Xinyang	Central China Xinyang Mansion	97	11,977	8,116
Zhengzhou	River Mansion	97	4,551	21,227
Luoyang	Dingding Palace	91	10,127	8,984
Kaifeng	CCRE Mall	89	15,539	5,710
Puyang	Chinoiserie Palace	87	9,128	9,503
Shangqiu	Art Mansion	65	6,321	10,242
Shangqiu	Lianmeng Dongwang	62	12,690	4,920
Shangqiu	Future City	59	10,688	5,558
Shangqiu	Hill Water Lake City Phase II	58	11,281	5,136
Hebi	Seven Mansion	58	10,361	5,576
Zhumadian	Spring Time	57	9,305	6,151
Zhengzhou	Chinoiserie Palace	53	1,872	28,447
Puyang	Dragon Palace	51	10,861	4,661
	Others	7,156	942,239	7,595
Total		9,517	1,253,392	7,593

12-Month Rolling Heavy Assets Contracted Sales Trend

Unit: RMB mn



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Henan Property Market Sales Up 25.3% y-o-y in 5M2021, CCRE Achieves Market Share of 7.0% (without Light Asset)

In the first five months of 2021, the Henan real estate market contracted sales was up 25.3% y-o-y to RMB305.0 bn (5M2020: RMB243.36 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (without light asset) for the first five months of 2021 reached RMB21.48 bn, representing a market share of 7.0%¹ for the total Henan real estate market.

Henan transaction volume in the first five months of 2021 reached 44.68 mn sq.m., representing a y-o-y increase of 19.4% (5M2020: 37.43 mn sq.m.). In terms of contracted GFA (without light asset), as at the end of May 2021, CCRE accounted for 6.3%² of the overall Henan real estate market. The average transacted price for property sales in Henan for the first five months of 2021 was RMB6,827 /sq.m., up 5.0% y-o-y (5M2020: ASP RMB6,502 /sq.m.).

*CCMGIT completed its spin-off and separate listing on 31 May 2021.

Notes: ¹CCRE's contracted sales as at 31 May 2021/ Total contracted sales of Henan Province as at 31 May; 2021 from Henan Provincial Bureau of Statistics;

²CCRE's contracted GFA as at 31 May 2021/ Total contracted GFA of Henan Province as at 31 May; 2021 from Henan Provincial Bureau of Statistics.

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Land Acquisition

In June 2021, the Company acquired a total of 8 new land plots in Zhengzhou, Luoyang, Shangqiu, Xinyang, Anyang, Taikang county in Zhoukou and Xinxiang with a total land premium of RMB2,989 mn. The estimated total GFA was 1,370,950 sq.m.; land premium attributable to CCRE was RMB1,806 mn and estimated attributable GFA was 832,140 sq.m.. The average land cost was RMB2,181 /sq.m..

A Summary of the Land Acquisition in the first six 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 resettle land plot	Zhumadian	Cooperation	TBC	642	33,326	6	9,692	29%
08/05/2021	Shangqiu Yangguang Road Project	Shangqiu Nanyang	Cooperation	R, K	1,267	412,613	314	247,568	60%
17/05/2021	Dengzhou Yigao Project	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%
24/05/2021	Fugou Tongqiu Road Project (Fugou Jianye Mansion)	Zhoukou Fugou County	Acquisition	R, C, K	643	138,336	31	48,418	35%
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%
03/06/2021	Zhengzhou 2021 No. 27 Land	Zhengzhou	Cooperation	R, C, K	2,688	59,088	81	30,135	51%
09/06/2021	Luoyang Zunfu Phase II North Plot	Luoyang	Cooperation	R, K	3,553	279,067	496	139,534	50%
10/06/2021	Shangqiu Beihai Road Project (Shangheyuan)	Shangqiu	Acquisition	R, C, K	1,696	173,256	103	60,640	35%
17/06/2021	Xinyang Xin Shan Road Project	Xinyang	Auction	R, K	3,812	75,577	173	45,346	60%
18/06/2021	Anyang Guangming Road Project	Anyang	Cooperation	R, K	1,970	247,735	249	126,345	51%
18/06/2021	Taikang Duanyao Road Project (Taikang Jianye Fu)	Zhoukou Taikang County	Acquisition	R, C, K	613	163,209	35	57,123	35%
22/06/2021	Xinxiang Xinfei Project (west land plot)	Xinxiang	Acquisition	R, C, K	1,794	373,017	669	373,017	100%
Total					1,488	6,633,167	6,396	4,130,693	

Land Bank Summary as at 30 June 2021

As at 30 June 2021, the estimated total land reserve GFA for new development is approximately 56.73 mn sq.m., (with attributable GFA of 41.41 mn sq.m.) at an average cost of RMB1,320/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

MOU In Relation to Potential Investment in Xi'an Ronghua

On 28 June 2021, CCRE voluntarily announced that, the company entered into a memorandum of understanding ("MOU") with Xi'an Ronghua Group Co., Limited ("Xi'an Ronghua") and intended to acquire a majority of the equity interests and the corresponding owners' equity ("Potential Investment"). It is contemplated that the consideration for the Potential Investment will be satisfied by a combination of cash and the issuance of new shares of the Company. The terms and conditions of the Potential Investment are subject to further negotiations between the parties.

Xi'an Ronghua is a leading real estate developer in Xi'an city, the capital of Shaanxi Province in China. Drawing upon its intellectualized, functional and individualized features, Xi'an Ronghua stays at the forefront of the market in the Xi'an real estate development industry. Leveraging on the reputation, resources, and the experience of Xi'an Ronghua in the real estate development industry in Xi'an city, the Directors consider that the Potential Investment is in line with the Company's Great Central China strategy, and can create synergy with the Company. Furthermore, the Potential Investment will allow the Group to further expand and diversify its business operations, help promote the urbanization process of the Central China Economic Region and the overall social progress, and contribute to the healthy development of China's real estate industry.

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Equity Research Update

GTJA Securities

On 9 June 2021, GTJA securities issued a flash note on CCRE's online reverse roadshow. The analyst highlighted that CCRE is expected to record notable pick-up in its contracted sales in June 2021, by new launches of around RMB7.0-8.0 bn saleable resources; fast sale strategy for some inventory. Also, CCRE will maintain sales target of RMB80 bn this year. Moreover, from 18 May 2021 till then, major shareholder's stake increased by an accumulative amount of 20.0mn shares with amount of HK\$42.5mn at an average price of HK\$2.12/share. The analyst believes that the spin-off impact has been overdone by the market. Despite weakening in CCRE's profit due to the spinoff of its light asset business, based on its abundant unrecognized sales of RMB87.7bn, GTJA remained confident that CCRE should continue to deliver solid earnings growth in the following years. GTJA maintained its "Accumulate" rating on CCRE with a target price of HK\$2.80, implying 3.7x2021 underlying PER and 0.6x2021 PBR.

CCBI Securities

On 8 July 2021, CCBI securities issued an equity research report titled "A 15% dividend yield". The analyst highlighted that CCRE spun off its project management arm, CCMGT, on 31 May 2021, while CCMGT will still be consolidated in 5M21. The analyst expected contracted sales of CCRE to resume growth in 2021F +17% riding on the economic recovery in Henan; 16% revenue CAGR for 2021-2023F backed by RMB87.7b in unrecognized sales by the end of 2020; 13% proforma core profit CAGR in 2020-2023F. The analyst expected net profit, the basis for deriving dividend, will remain flat at RMB1.8b in 2021F, and in 2020-2023F render a 4% CAGR. Based on a 35-40% payout, c.15% dividend yield from CCRE in 2021-2023F, the highest level among peers. CCBI believed that concerns about earnings and refinancing have been overstated. To factor in the spin-off of CCMGT, CCBI maintained "Outperform" rating with a target price of HK\$3.50 based on lower NAV and a wider discount to NAV.

Recent IR Activities

Date	Event	Organizer	Location
06/07/2021	CMBI Fixed Income Corporate Day	CMBI	Conference Call
07/07/2021	Online Reverse Roadshow	The Company	Conference Call

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