

**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 Better than expected Contracted Sales in August with Rapid Resumption of Sales Operation after the July Flood and Covid-19 Restrictions with Increased Use of Online Sales Platform**

For the eight months ended 31 August 2021, CCRE achieved total contracted sales of RMB38,630 million, representing a lock-in ratio of 55.1% of CCRE’s annual sales target of RMB70 billion for 2021. The total contracted sales gross floor area (“GFA”) amounted to 5,090,556 sq.m., representing a y-o-y increase of 5.5%. The average selling price (“ASP”) for the first eight months of 2021 was RMB7,589/sq.m., representing a y-o-y decrease of 5.2%, due to product mix.

	Jan – Aug 2021	Jan – Aug 2020	Y-o-Y change
<b>Contracted Sales (RMB mn)</b>	38,630	38,621	0.0%
<b>Contracted Sales GFA (sq.m.)</b>	5,090,556	4,822,931	5.5%
<b>Average Selling Price per sq.m. (RMB)</b>	7,589	8,008	-5.2%

CCRE achieved better-than-expected contracted sales of RMB5.26 billion after COVID-19 lockdown, while contracted sales GFA for the month reached 731,078 sq.m., a y-o-y increase of 8.0%. The ASP for August 2021 was RMB7,188/sq.m., representing a y-o-y decrease of 7.5%, due to product mix.

	August 2021	August 2020	Y-o-Y change
<b>Contracted Sales (RMB mn)</b>	5,255	5,260	-0.1%
<b>Contracted Sales GFA (sq.m.)</b>	731,078	676,822	8.0%
<b>Average Selling Price per sq.m. (RMB)</b>	7,188	7,772	-7.5%

### **Stock Data (as at 15 September 2021)**

<b>Price/share:</b> HK\$ 1.59	<b>Market Cap:</b> Approximately HK\$4.718 bn	<b>52-Week Range:</b> HK\$1.55 – 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

September 2021

## Contracted Sales in August were Supported by:

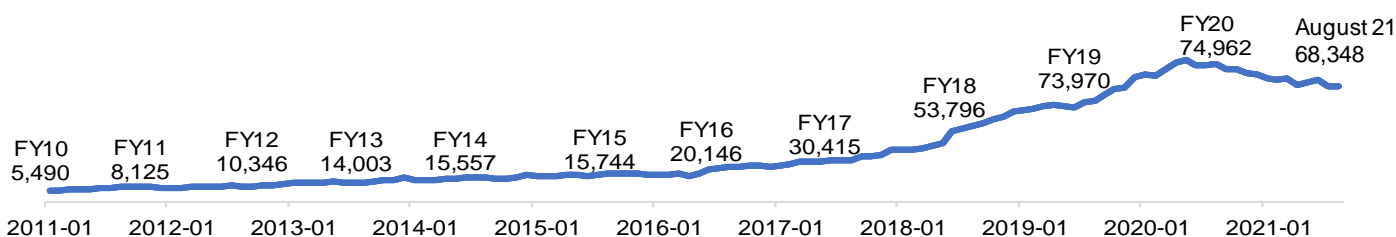
- Zhengzhou projects accounted for approximately 18% of the sales;
- Tier 3 & 4 cities projects in Henan accounted for 50% of the sales;
- County level cities projects in Henan contributed 32% of the sales;
- Contracted sales continue to be diversified, with sales contribution from 245 projects/phases located in the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> tier cities and county level cities in Henan;
- In August, 84% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

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

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Luoyang	Luoyang Jianye Zhonghong City	169	13,980	12,113
Zhengzhou	Zhengzhou Jianye Chengyuan	99	11,460	8,674
Nanyang	Nanyang Jianye Country Garden Longyue City	89	11,483	7,710
Luoyang	Dingding Palace	87	9,994	8,695
Luoyang	Luoyang Huayang Fengdu	76	6,202	12,312
Xinyang	Xinyang Mansion	72	9,197	7,861
Luoyang	Luoyang Jianye Dacheng Xiaoyuan	68	8,942	7,614
Zhumadian	Chinoiserie Palace	68	7,924	8,534
Zhengzhou	Dengfeng Songyue Mansion	60	2,687	22,489
Xuchang	Xuchang Jianye Zhenyuehui	60	11,168	5,378
Puyang	Puyang Jianye Long Cheng	59	13,444	4,403
Puyang	Jian Run Mansion	57	10,452	5,480
Danzhou	Danzhou Junlin Courtyard	56	2,613	21,397
Jiaozuo	Jianye Palace	55	6,628	8,280
Shangqiu	Chinoiserie Palace	55	7,881	6,941
Shangqiu	Yucheng Jianye Hill Water Lake City Phase II	54	10,613	5,051
Xinyang	Jianye City	51	14,924	3,386
Shangqiu	Minquan Long Mansion	51	8,535	5,920
Zhengzhou	Wulong City (Century New City)	48	8,438	5,740
Xinxiang	Hui Xian Jianye Gongcheng Dongwang	48	10,642	4,551
	Others	3,872	543,873	7,120
	<b>Total</b>	<b>5,255</b>	<b>731,078</b>	<b>7,188</b>

## 12-Month Rolling Heavy Assets Contracted Sales Trend

Unit: RMB mn



# Newsletter

September 2021

## Major Project Launch

In the month of August, CCRE launched 6 new projects/phases. The aggregate saleable resource of the new launch is RMB742 mn. Due to COVID-19 resurgence in August, the first day of launch achieved an average sales/subscription rate of 36%, with sales subscription to be converted into contracted sales over the coming months.

### A Summary of the Major Projects Launched in August 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 (%)
Xinyang Palace	08/08/2021	87	46	52%	11,218	5,518	49%
Jianye Jianrun Mansion	10/08/2021	152	40	26%	36,281	6,902	19%
Luoyang Huayang Fengduyin Jiangshan	14/08/2021	155	54	35%	12,957	4,481	35%
Anyang Jianye City Phase III	21/08/2021	125	40	32%	18,443	5,905	32%
Shangqiu Zhecheng Lianmeng Dongwang	28/08/2021	89	20	22%	14,306	3,449	24%
Luohe Jianye Zhongliang Art Mansion	28/08/2021	133	70	53%	16,657	8,828	53%
<b>Total</b>		<b>742</b>	<b>269</b>	<b>36%</b>	<b>109,862</b>	<b>35,082</b>	<b>32%</b>

## Henan Property Market Sales Up 14.0% y-o-y in 7M2021, CCRE Achieves Market Share of 6.8% (without Light Asset)

In the first seven months of 2021, the Henan real estate market contracted sales was up 14.0% y-o-y to RMB488.05 bn (7M2020: RMB428.07 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (without light asset) for the first seven months of 2021 reached RMB33.38 bn, representing a market share of 6.8%<sup>1</sup> for the total Henan real estate market.

Henan transaction volume in the first seven months of 2021 reached 72.47 mn sq.m., representing a y-o-y increase of 11.5% (7M2020: 64.99 mn sq.m.). In terms of contracted GFA (without light asset), as at the end of July 2021, CCRE accounted for 6.0%<sup>2</sup> of the overall Henan real estate market. The average transacted price for property sales in Henan for the first seven months of 2021 was RMB6,734 /sq.m., up 2.2% y-o-y (7M2020: ASP RMB6,587 /sq.m.).

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

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

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



# Newsletter

## September 2021

### Land Acquisition

In August 2021, the Company acquired a total of 10 new land plots in Yucheng County in Shangqiu, Shangqiu, Zhoukou, Luohe with a total land premium of RMB687 mn. The estimated total GFA was 616,399 sq.m.; land premium attributable to CCRE was RMB311 mn and estimated attributable GFA was 272,699 sq.m.. The average land cost was RMB1,114 /sq.m..

By the end of August 2021, the Company acquired a total GFA of 7,893,359 sq.m. in 2021, with land premium of RMB11,159 mn. The land premium attributable to CCRE was RMB6,920 mn and estimated attributable GFA was 4,633,233 sq.m.. The average land cost was RMB1,414 /sq.m..

### A Summary of the Land Acquisition in 2H2021 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 (%)
02/07/2021	Yucheng Songshan Avenue (Songshan Mansion)	Shangqiu Yucheng County	Equity Acquisition	R, C, K	816	398,635	111	135,536	34%
02/07/2021	Hebi Taishan Road Project	Hebi	Equity Acquisition	R, K	1,627	116,599	66	40,810	35%
03/07/2021	Pingyu Yong Wang Road Project	Zhumadian Pingyu County	Cooperation	R, C, K	579	91,803	24	41,311	45%
30/07/2021	Jiyuan Blossom Garden	Jiyuan	Cooperation	R, C, K	946	36,755	12	12,184	33%
06/08/2021	Yucheng Songshan Avenue (Songshan Mansion)	Shangqiu Yucheng County	Equity Acquisition	R, C, K	817	199,317	55	67,768	34%
10/08/2021	Shangqiu Xingguang Road Project	Shangqiu	Equity Acquisition	R, K	1,464	89,674	53	35,870	40%
18/08/2021	Guandi Temple Residential Land	Zhoukou	Resources	R, C, K	893	264,025	120	134,653	51%
18/08/2021	Guandi Temple Commercial Land	Zhoukou	Resources	R, K	3,128	40,237	64	20,521	51%
30/08/2021	Luohe Blossom Garden	Luohe	Cooperation	R, C, K	1,341	23,146	19	13,888	60%
<b>Total</b>					<b>11,611</b>	<b>1,260,191</b>	<b>524</b>	<b>502,541</b>	

### Land Bank Summary as at 31 August 2021

As at 31 August 2021, the estimated total land reserve GFA for new development is approximately 57.30 mn sq.m., (with attributable GFA of 41.03 mn sq.m.) at an average cost of RMB1,334/sq.m..

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

### Equity Research Update

#### CCBI Securities

On 19 August 2021, CCBI issued an equity research report titled "As some concerns are put to rest, more arise". The analyst believed CCRE 1H21 core profit was in line with expectations. Rapidly growing recognized sales and improving SG&A expenses will continue to offset declining GPM and eventually bolster in the full year of 2021. CCBI maintained Outperform rating in light of the 8% dividend but lowered target price from HK\$3.50 to HK\$2.50 based on a deeper discount to NAV.

# Newsletter

September 2021

## Morningstar

On 19 August 2021, Morningstar issued an equity research report titled “CCRE Interim Results Flat, Lowers Contracted Sales Target”. Results-wise, the company booked 56.4% higher revenue year on year during the period. The company declared a significantly higher interim dividend and the shares are undervalued. Morningstar maintained Buy rating and gave CCRE target price of HK\$2.92.

## Haitong International

On 19 August 2021, Haitong International Securities issued an equity research report titled “1H21 Result: High Dividend Payout Though Earnings Growth Slowed”. The company maintained high dividend payout ratio, representing high dividend yield of 8%. Also CCRE proactively decreased debt to RMB10.9bn. The analyst believed that CCRE has the ability to meet debt due. The analyst maintained “Outperform” rating with a target price of HK\$3.26.

## Guotai Junan Securities

On 20 August 2021, Guotai Junan Securities issued an equity research report titled “Impact Needs Time to Diminish”. The analyst also expected the company’s net gearing should improve towards the end of this year, with the reversion of its cash collection ratio and less land acquisition budget in the second half of this year. The analyst maintained “Accumulate” rating with target price of HK\$2.30.

## AMTD Securities

On 23 August 2021, AMTD Securities issued an equity research report titled “Undervalued Amid Market concerns, Reiterate Buy”. CCRE’s 1H21 dividend payout ratio implied an interim dividend yield of 7.7% and its 2021E full year dividend yield could reach 20.3%. The analyst believed that the stock is undervalued and reflected management’s confidence in the company’s cash flow. The analyst believed that CCRE remains as the core bread and butter of CCRE Group. The separate listing of the business units reflected the further specialization trend of the property industry and improved the operational efficiencies of each unit. Based on higher dividend yield ratio and depressed valuations at 2.0x 2021E P/E, AMTD reiterated “Buy” rating towards CCRE.

## DBS

On 23 August 2021, DBS issued an equity research report titled “Dividend upside”. The analyst expected that 50% of interim dividend payout ratio was a surprise and expected attractive dividend yield of 14%-21% for the full year of 2021. DBS believed that CCRE has made a concrete plan to slow down land acquisitions in 2H21 and the company’s gearing will return to 70% by the end of December 2021. The analyst maintained “Buy” rating with target price of HK\$2.34.

# Newsletter

## September 2021

### Recent IR Activities

Date	Event	Organizer	Location
19/08/2021	Post Interim Results Management NDR-Covering Analysts	CCRE	Hong Kong
20/08/2021	Post Interim Results Management NDR (HK)	DBS	Conference Call
20/08/2021	Post Interim Results Management NDR (HK)	BOCOM	Conference Call
20/08/2021	Post Interim Results Management NDR (HK)	AMTD	Conference Call
23/08/2021	Post Interim Results Management NDR (SG)	DBS	Conference Call
23/08/2021	Post Interim Results Management NDR (SG)	Deutsche Bank	Conference Call
23/08/2021	Post Interim Results Management NDR (HK)	Guotai Junan International	Conference Call
23/08/2021	Post Interim Results Management NDR (EU)	BofA Securities	Conference Call
24/08/2021	Post Interim Results Management NDR (HK)	Guotai Junan International	Conference Call
24/08/2021	Post Interim Results Management NDR (EU)	Deutsche Bank	Conference Call
24/08/2021	Post Interim Results Management NDR (EU)	BNP Paribas	Conference Call
24/08/2021	Post Interim Results Management NDR (HK, SG, EU)	Barclays	Conference Call
25/08/2021	Post Interim Results Management NDR (HK, SG, EU)	Nomura	Conference Call
26/08/2021	Post Interim Results Management NDR (JP)	Mizuho Securities	Conference Call
26/08/2021	Post Interim Results Management NDR (TW)	CCRE	Conference Call
27/08/2021	Post Interim Results Management NDR (SZ)	Tianfeng Securities	Conference Call
27/08/2021	Post Interim Results Management NDR (EU)	Standard Charter Bank	Conference Call
02/09/2021	Post Interim Results Management NDR (EU)	Deutsche Bank	Conference Call
03/09/2021	Post Interim Results Management NDR (JP)	Okasan International	Conference Call
09/09/2021	Investor Update Call	CCRE	Conference Call
15/09/2021	Online Reverse Roadshow	CCRE	Conference Call

### Upcoming IR Activities

Date	Event	Organizer	Location
23/09/2021	JPM Emerging Market Credit Conference	JP Morgan	Conference call

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