

# Newsletter

April 2022

**Central China Real Estate Limited** is one of the leading Henan-based property developers, focusing on developing high-quality residential properties. With 30 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. Known for its outstanding product quality, strong brand and experienced management team, CCRE ranked 1st among 2021 Top Chinese Real Estate Companies in Terms of Overall Strength in Henan and 2021 Top 100 Outstanding Real Estate Enterprises in China by Guandian Index Academy, and ranked 353th in the Fortune 500 China List in 2021.

## LATEST NEWS

### ✓ **CCRE Achieved Contracted Sales of RMB3.1 billion in the Month of March 2022, up 167.9% m-o-m**

In the month of March 2022, CCRE achieved property contracted sales of RMB3,102 million, representing a m-o-m increase of 167.9% and y-o-y decrease of 63.2%, with a contracted sales GFA of 382,522 sq.m., representing a y-o-y decrease of 65.0%, and with the ASP amounted to RMB8,109 /sq.m. representing a y-o-y increase of 5.1%.

For the first three months ended 31 March 2022, CCRE achieved total property contracted sales of RMB6,267 million, representing a y-o-y decrease of 41.8%. The total contracted sales GFA achieved 792,307 sq.m., representing a y-o-y decrease of 43.1%. The ASP for the first three months of 2022 was RMB7,910/sq.m., representing a y-o-y increase of 2.4%.

### ✓ **Jianye Group and Henan Airport Group Signed a Strategic Cooperation Agreement**

On 8 April 2022, Jianye Group and Henan Airport Group signed a strategic cooperation agreement. The two parties will carry out in-depth cooperation in property management, hotel management, landscape and real estate project development.

### ✓ **Jianye Group and Wanda Group Signed a Strategic Cooperation on Commercial Project Operation**

Recently, Jianye Group signed a strategic cooperation with Wanda Group in respect of the operation rights of certain commercial projects. With its professional operation experience, Wanda Commercial Management will be fully responsible for the investment promotion, leasing, operation and property management of related commercial projects. Through this cooperation, CCRE will greatly improve the efficiency and profitability of its commercial projects.

## **Stock Data (as at 12 April 2022)**

<b>Price/share:</b> HK\$ 0.78	<b>Market Cap:</b> Approximately HK\$2.312 bn	<b>52-Week Range:</b> HK\$0.50 – HK\$4.56	<b>Shares Outstanding:</b> 2,964 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 March were Supported by:

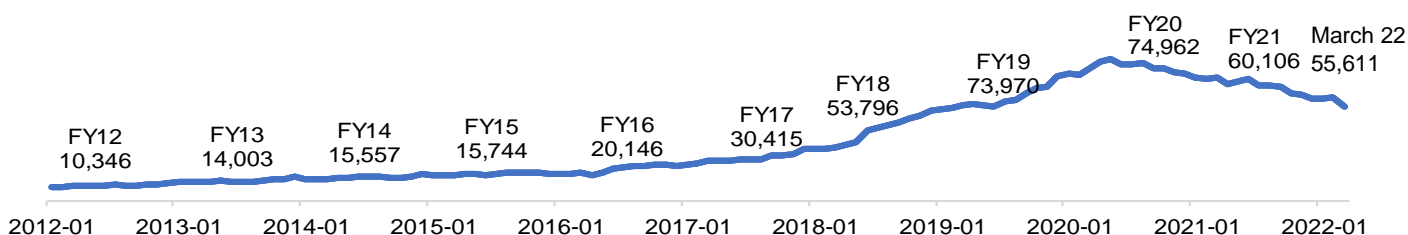
- Zhengzhou projects accounted for approximately 29% of the sales;
- Tier 3 & 4 cities projects in Henan accounted for 53% of the sales;
- County level cities projects in Henan contributed 18% of the sales;
- Contracted sales continue to be diversified, with sales contribution from 261 projects/phases located in the tier 2,3,4 cities and county level cities in Henan;
- In March, 73% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

## Summary Breakdown of the Contracted Sales in March 2022:

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Zhengzhou	Jianye-Tihome International City	171	15,076	11,318
Luoyang	Jianye Dingding Palace	120	11,993	10,017
Jiyuan	Chinoiserie Palace	74	8,080	9,206
Puyang	Sky Mansion	74	8,372	8,828
Luoyang	Code Two City	73	8,794	8,265
Shangqiu	Chinoiserie Palace	72	10,013	7,162
Xuchang	Xinyi Yuan	68	10,145	6,724
Shangqiu	Art Mansion	58	6,576	8,804
Xuchang	Xiangcheng CCRE Mall	53	9,943	5,338
Zhengzhou	Fuju Wulongkou	45	1,902	23,863
Shangqiu	Shangheyuan	45	6,967	6,506
Shangqiu	Zhecheng Lianmeng Dongwang	42	8,275	5,115
Nanyang	Art Mansion	41	5,306	7,773
Shangqiu	Jiangshan Palace	41	5,832	7,026
Nanyang	Jianye Country Garden Longyue City	40	5,618	7,204
Zhumadian	Chinoiserie Palace	39	4,608	8,498
Shangqiu	Cheng Yuan	39	6,989	5,530
Xuchang	Zhangge Sweet-scented Osmanthus Garden Xinyuan	39	7,634	5,048
Shangqiu	Yuelong Palace	35	4,495	7,772
Zhengzhou	Gongyi Chinoiserie Palace	32	4,491	7,092
	Others	1,900	231,411	8,210
	<b>Total</b>	<b>3,102</b>	<b>382,522</b>	<b>8,109</b>

## 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 14 new projects/phases. The aggregate saleable resources of the new launch is RMB666 mn. The first day of launch achieved an average sales/subscription rate of 24%, with sales subscription to be converted into contracted sales over the coming months.

### A Summary of the Major Projects Launched in March 2022 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 (%)
Minquan Long Palace	05/03/2022	41	6	15%	6,309	1,042	17%
Mengzhou Jianye Palace	12/03/2022	11	2	21%	284	54	19%
Zhumadian Chinoiserie Palace	12/03/2022	160	22	14%	19,132	2,578	13%
Puyang Jianye Longcheng Basement	19/03/2022	4	1	15%	5,035	517	10%
Puyang Jianye Longcheng Basement Carpark	19/03/2022	14	2	15%	307	45	15%
Xinmi Spring Time	19/03/2022	56	6	11%	8,586	971	11%
Fugou Jianye Palace	20/03/2022	28	3	11%	5,576	634	11%
Xinyang Jianye Sky Mansion	26/03/2022	194	102	53%	13,563	6,867	51%
Jiyuan Jianye Chinoiserie Palace	27/03/2022	8	2	20%	3,171	648	20%
Wuzhi Jianye Tianxi	27/03/2022	26	1	4%	572	23	4%
Pingyu Jianye Jiangshan Palace	27/03/2022	27	8	30%	5,200	1,730	33%
Shangqiu Shangheyuan	30/03/2022	55	5	9%	8,834	750	8%
Xincai Jianye Sweet-scented Osmanthus Garden	31/03/2022	2	0	12%	35	5	14%
Beverly Manor Phase IV	31/03/2022	41	2	5%	6,551	324	5%
<b>Total</b>		<b>666</b>	<b>162</b>	<b>24%</b>	<b>83,154</b>	<b>16,188</b>	<b>19%</b>

## Henan Property Market Sales Up 3.3% y-o-y in 2M22, CCRE Achieves Market Share of 5.1%

In the first two months of 2022, the Henan real estate market contracted sales was up 3.3% y-o-y to RMB61.23 bn (2M21: RMB59.25 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (without light asset) for the first two months of 2022 reached RMB3.13 bn, representing a market share of 5.1%<sup>1</sup> for the total Henan real estate market.

Henan transaction volume in the first two months of 2022 reached 9.74 mn sq.m., representing a y-o-y increase of 8.3% (2M21: 8.99 mn sq.m.). In terms of contracted GFA (without light asset), as at the end of February 2022, CCRE accounted for 4.2%<sup>2</sup> of the overall Henan real estate market. The average transacted price for property sales in Henan for the first two months of 2022 was RMB6,283 /sq.m., down 4.6% y-o-y (2M21: ASP RMB6,588 /sq.m.).

<sup>1</sup>CCMG completed its spin-off and separate listing on 31 May 2021.

Notes: <sup>1</sup>CCRE's contracted sales as at 28 February 2022/ Total contracted sales of Henan Province as at 28 February 2022 from Henan Provincial Bureau of Statistics;

<sup>2</sup>CCRE's contracted GFA as at 28 February 2022/ Total contracted GFA of Henan Province as at 28 February 2022 from Henan Provincial Bureau of Statistics.

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## Land Acquisition

In March 2022, the Company did not acquire any new land.

### A Summary of the Land Acquisition in 2022 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 (%)
06/01/2022	Xiping Spring Time	Zhumadian Xiping County	Cooperation	R, K	1,047	9,165	5	5,041	55%
17/01/2022	Shangqiu Huasheng Road Project	Shangqiu	Cooperation	R, K	1,578	367,258	296	187,302	51%
10/02/2022	Zhumadian Chinoiserie Palace Phase III	Zhumadian	Cooperation	R, K	1,304	358,327	241	184,538	52%
				<b>Total</b>	<b>1,438</b>	<b>734,750</b>	<b>542</b>	<b>376,881</b>	

## Land Bank Summary as at 31 January 2022

As at 31 January 2022, the estimated total land reserve GFA for new development is approximately 53.27 mn sq.m., (with attributable GFA of 38.47 mn sq.m.) at an average cost of RMB1,351 /sq.m..

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

## Equity Research Update

### CCB International

On 29 March 2022, CCBI issued an equity research report titled "Short term debt manageable but profitability subdued". The analyst thinks CCRE reported disappointing results. Although CCRE's unrestricted cash level is low, the analyst finds that its unrestricted cash can still cover USD bond due in August and trust loans due within a year and the Company's short-term loans are manageable. The analyst believes that CCRE's financial position is stable, at least in the near term. The analyst also expects CCRE will be able to monetize its close relationships with the SOEs and banks in the province, such that it can build a strong enough balance sheet to help CCRE weather the market downcycle. CCBI maintained "Outperform" rating but lowered target price to HK\$1.00 based on a 80% discount to NAV of HK\$5.0.

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## BOCOM International

On 30 March 2022, BOCOM International issued an equity research report titled “Henan market leader reported audited FY21 results on time”. The analyst believed that the drop in CCRE’s FY21 results is well expected with adverse impact from Henan’s July flooding, COVID resurgence and spin-off. CCRE was of the very few non-SOE developers to have published audited results on time. The analyst believes this shows that CCRE is in a better position to survive the rough market. The analyst expects that growth margin to remain stable similar to FY21 level at around 15%. BOCOM maintained “Buy” rating with a target price under review.

## BNP Paribas - Morningstar

On 31 March 2022, Morningstar issued an equity research report titled “CCRE Full-Year Results Reflect Tighter Liquidity; Pre-sales Challenge key to Offshore Debt Repayment”. Morningstar thinks that CCRE full year results reflect tighter liquidity and contracted sales performance condition would be key to company’s debt repayment plan. The analyst have factored in stable contracted sales performance for the property development segment as the company navigates through a structural decline phase in the China property market. Nonetheless, the analyst expected that healthy earnings growth from 2021 onward. Due to strong contracted sales achieved in 2018-19, the analyst expected that reasonable revenue and earnings growth driven by the property development business moving forward, underpinned by GFA deliveries from project completions. The analyst expects fair value estimate of HK\$0.78 per share.

## Recent IR Activities

Date	Event	Organizer	Location
29/03/2022	2021 Annual Results Investor Presentation	CCRE	Conference Call
29/03/2022	Post Annual Results Management NDR	DBS	Conference Call
30/03/2022	Post Annual Results Management NDR	CCBI	Conference Call
31/03/2022	Post Annual Results Management NDR	Deutsche Bank	Conference Call
31/03/2022	Post Annual Results Management NDR	JP Morgan	Conference Call
01/04/2022	Post Annual Results Management NDR	BofA Securities	Conference Call
04/04/2022	Post Annual Results Management NDR	DBS	Conference Call
06/04/2022	Post Annual Results Management NDR	CSCI	Conference Call
11/04/2022	Post Annual Results Management NDR	Mizuho Securities	Conference Call

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