

Newsletter

June 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 RMB11.07 billion for the First Five Months of 2022**

For the first five months ended 31 May 2022, CCRE achieved total property contracted sales of RMB11,067 million, representing a y-o-y decrease of 48.6%. The total contracted sales GFA achieved 1,474,826 sq.m., representing a y-o-y decrease of 47.3%. The ASP for the first five months of 2022 was RMB7,504 /sq.m., representing a y-o-y decrease of 2.5%.

In the month of May 2022, CCRE achieved property contracted sales of RMB2,170 million, representing a m-o-m decrease of 17.5%, with a contracted sales GFA of 308,278 sq.m., representing a m-o-m decrease of 17.6%, and with the ASP amounted to RMB7,039 /sq.m. representing a m-o-m increase of 0.2%.

✓ **CCRE Proposed Partial Sale of Shares by Controlling Shareholder; and Proposed Issue of 5% Guaranteed Convertible Bonds Due 2024**

On 1 June, CCRE announced that its controlling shareholder, Joy Bright Investments Limited (“Joy Bright”) and Henan Tongsheng Zhiye Co., Ltd. (河南同晟置業有限公司, the “Investor”), a wholly-owned subsidiary of Henan Railway Construction & Investment Group Co.,Ltd. (河南铁路建设集团有限公司), entered into a framework agreement, under which, (i) subject to the execution of a definitive agreement between Joy Bright and the Investor, Joy Bright would sell to the Investor 860,000,000 shares of the Company at an aggregate consideration of approximately HK\$688 million; and (ii) subject to the execution of a definitive subscription agreement between the Company and the Investor, the Investor will subscribe for convertible bonds due 2024 in the principal amount of up to HK\$708 million with a coupon rate of 5% and a yield to maturity of 9% issued by the Company.

✓ **Henan Cultural Tourism Investment Group Signed a Strategic Cooperation Agreement with Jianye Group and Five Financial Institutions**

✓ **Anyang Relaxed the HPF Policy, and Increased Mortgage Loan to RMB600,000 for home purchase couples**

Stock Data (as at 16 June 2022)

Price/share: HK\$ 0.65	Market Cap: Approximately HK\$1.927 bn	52-Week Range: HK\$0.50 – HK\$2.07	Shares Outstanding: 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 May were Supported by:

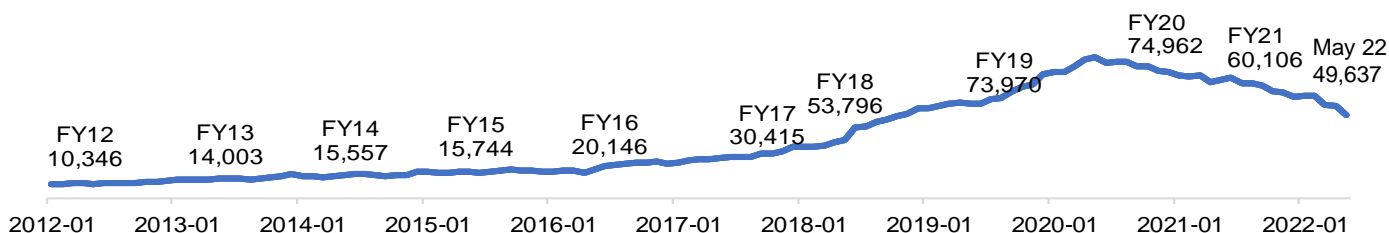
- Zhengzhou projects accounted for approximately 12% of the sales;
- Tier 3 & 4 cities projects in Henan accounted for 64% of the sales;
- County level cities projects in Henan contributed 24% of the sales;
- Contracted sales continue to be diversified, with sales contribution from 256 projects/phases located in the tier 2,3,4 cities and county level cities in Henan;
- In May, 88% of contracted sales came from projects unaffected by HPR (HPR only in Zhengzhou)

Summary Breakdown of the Contracted Sales in May 2022:

City	Project Name	Contracted Sales (RMB mn)	Contracted Area (sq. m.)	ASP (RMB/ sq. m.)
Shangqiu	Shangqiu Jianye Art Mansion	64	9,999	6,382
Shangqiu	Shangqiu Jianye Chinoiserie Palace	62	9,503	6,545
Zhengzhou	Zhengzhou Jianye Chengyuan	53	4,919	10,685
Luoyang	Luoyang Jianye Dingding Palace	49	5,914	8,306
Nanyang	Nanyang Longyue City	48	6,653	7,243
Puyang	Puyang Art Mansion	47	4,799	9,705
Xinxiang	Xinxiang Jianye U-Town	44	6,295	7,009
Zhumadian	Zhumadian Chinoiserie Palace	41	5,451	7,516
Xinxiang	Xin Fei Jianye Palace	41	5,418	7,489
Shangqiu	Shangqiu Jianye Jiangshan House	41	5,397	7,508
Anyang	Anyang Jianye Chinoiserie Beiyuan Phase II	36	4,787	7,487
Shangqiu	Shangqiu Yuelong Mansion	35	4,480	7,861
Jiyuan	Jiyuan Jianye Chinoiserie Palace	33	3,536	9,349
Shangqiu	Shangqiu Jianye Chengyuan	32	4,488	7,140
Zhengzhou	Zhengzhou Jianye Art Mansion	31	2,224	13,865
Luoyang	Luoyang Jianye Zhonghong City	31	3,175	9,617
Luoyang	Luoyang Jianye Cifi Honour Mansion	30	2,721	11,065
Zhumadian	Zhumadian Jianye Spring Time	30	5,244	5,707
Hebi	Hebi Jianye Longmen No. 7 Courtyard	28	3,631	7,667
Luoyang	Luoyang Jianye Palace	27	3,168	8,655
	Others	1,368	206,478	6,625
	Total	2,170	308,278	7,039

12-Month Rolling Heavy Assets Contracted Sales Trend

Unit: RMB mn



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Major Project Launch

In the month of May, CCRE launched 4 new projects/phases. The aggregate saleable resources of the new launch is RMB177 mn. The first day of launch achieved an average sales/subscription rate of 15%, with sales subscription to be converted into contracted sales over the coming months.

A Summary of the Major Projects Launched in May 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 (%)
Dengfeng Junlin Courtyard	02/05/2022	69	11	15%	7,880	1,300	16%
Jianye Changjian Central Garden	15/05/2022	60	8	13%	8,925	994	11%
Jianye Palace	15/05/2022	27	4	17%	2,584	431	17%
Jianye Peninsula Phase VII	20/05/2022	21	4	17%	3,858	643	17%
Total		177	27	15%	23,247	3,367	14%

Henan Property Market Sales Down 17.4% y-o-y in 4M22, while CCRE Improves Market Share from 4.5% to 4.8%

In the first four months of 2022, the Henan real estate market contracted sales was down 17.4% y-o-y to RMB184.65 bn (4M21: RMB223.57 bn), according to Henan Provincial Bureau of Statistics. CCRE's contracted sales (without light asset) for the first four months of 2022 reached RMB8.78 bn, representing a market share of 4.8%¹ for the total Henan real estate market.

Henan transaction volume in the first four months of 2022 reached 30.38 mn sq.m., representing a y-o-y decrease of 8.2% (4M21: 33.09 mn sq.m.). In terms of contracted GFA (without light asset), as at the end of April 2022, CCRE accounted for 3.8%² of the overall Henan real estate market. The average transacted price for property sales in Henan for the first four months of 2022 was RMB6,077 /sq.m., down 10.0% y-o-y (4M21: ASP RMB6,757 /sq.m.).

¹CCMG T completed its spin-off and separate listing on 31 May 2021.

Notes: ¹CCRE's contracted sales as at 30 April 2022/ Total contracted sales of Henan Province as at 30 April 2022 from Henan Provincial Bureau of Statistics;

²CCRE's contracted GFA as at 30 April, 2022/ Total contracted GFA of Henan Province as at 30 April 2022 from Henan Provincial Bureau of Statistics.

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Land Acquisition

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

As of the end of May 2022, the Company acquired a total GFA of 886,418 sq.m. in 2022, with land premium of RMB1,319 mn. The land premium attributable to CCRE was RMB691 mn and estimated attributable GFA was 443,633 sq.m.. The average land cost was RMB1,488 /sq.m..

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%
06/04/2022	Lianmeng 7 Mu Land	Zhengzhou	Land Auction	R, K	7,296	10,142	74	10,142	100%
13/04/2022	Yongcheng Lianmeng Dongwang	Yongcheng County	Land Auction	R, K	1,332	141,526	75	56,610	40%
Total					1,488	886,418	691	443,633	

Research Update

CCB International

On 2 June 2022, CCBI issued an equity research report titled “On the way to becoming an SOE”. The analyst noted that the market reacted positively towards CCRE’s introduction of SOE shareholders, as reflected by the share price and bond price of CCRE. The analyst expects in the medium term the share price to recover further in accordance with financial improvement at the firm. Should the share price exceed HK\$1.20 and should Henan Railway wish to convert the CB into ordinary shares, its shareholding would exceed 30%; triggering a general offer. As the potential privatization will cost at least HK\$2.5 billion. The analyst currently does not expect the conversion to take place. With this in mind, CCBI maintained “Outperform” rating and target price of HK\$1.00.

DBS Securities

On 2 June 2022, DBS issued an equity research report titled “Becoming a regional SOE developer”. The analyst believes that with the Henan Government acquire CCRE’s issued shares and its subscription of a convertible bond, CCRE is seen to have strong backing from the provincial government. The analyst expects the company’s new quasi-SOE status will help it regain access to refinancing channels. DBS believes CCRE’s sales may see better-than-peer recovery, given its strong local reputation and escalated tone of support from the provincial government. The analyst has cut earnings forecasts to factor in the company’s likely affected construction pace and margin trend. DBS maintained “Buy” rating, with TP cut to HK\$1.29, as DBS believes CCRE will likely be one from a handful of survivors of the sector’s turbulence.

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BNP Paribas - Morningstar

On 2 June 2022, Morningstar issued an equity research report titled “CCRE’s Controlling Shareholder Concedes to Stake Sale, Paving the Way to Government Support”. The analyst thinks that with the entry of the Henan government as a major shareholder, this may allay market fears on the company’s liquidity stress and in turn be a significant positive for the company’s bond. In terms of sector implications, the show of government support is a positive takeaway in willingness of the government in preventing default for the sector. Via this route, it is within expectations that state-owned enterprises are likely to continue expanding market share. Morningstar keeps its fair value estimate unchanged at HK\$0.78 pending execution of the funding agreements and terms.

Guotai Junan Securities

On 7 June 2022, Guotai Junan issued an equity research report titled “Capital Injection From a Henan SOE to Enhance Credit Profile”. The analyst expects that after the deals of stake transaction and CB subscription, CCRE will acquire total HK\$1,396 mn as cash replenishment, which should largely improve its credit profile. The Henan government’s investment should address the Company’s near-term repayment need and enhance its long-term credit rating and operations. Guotai Junan maintains a prudent optimistic view on the Company and suggests “Accumulate” with target price at HK\$0.90.

CMBI (Fixed Income)

On 2 June 2022, CMBI issued a credit research report titled “State-owned background is a re-rating story, buy on CENCHIs”. CMBI credit analyst considers the state-owned background a re-rating story for CENCHI with Henan Railway’s involvement to significantly improve CENCHI’s funding access. The credit analyst believes that the new coming shareholder is preparing to support. CMBI is optimistic that the transaction can be completed with all necessary regulatory approvals and DD by the end of Jun 2022. The analyst still sees another 10-15 bps upside for CENCHIs. CMBI recommends Buy on CENCHIs and see more upside for longer-dated CENCHIs.

Recent IR Activities

Date	Event	Organizer	Location
07-08/06/2022	2022 JPM Asia Credit Conference	JP Morgan	Conference Call

Upcoming IR Activities

Date	Event	Organizer	Location
23/06/2022	2022 Barclays ESG Corporate Day2022	Barclays	Conference Call
24/06/2022	Citi Asia Pacific Property Conference	Citi Bank	Conference Call

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