



**建業地產股份有限公司**  
**Central China Real Estate Limited**

(Stock Code: 832)

## Company Overview

JUNE 2017





## Company overview

### **▲ Leading Residential Property Developer in Henan Province**

- Among top developers in Henan's real estate industry with current market share of 3.6%<sup>1</sup>
- "Provincial strategy" – extensive footprint covering over 40 cities in Henan as at 31 Dec 2016<sup>2</sup>
- Achieved record high contracted sales of RMB20.1 billion in 2016; overachieving the annual contracted sales target of RMB18 billion, representing a year on year growth of 28%
- Contracted sales GFA increased by 1.2% year on year to 2.76 million sq. m. in 2016

### **▲ Strategic Partnership with CapitaLand**

- Strategic investor since 2006 (pre-IPO), currently holds 27% stake as of 31 Dec 2016
- Full participation in CCRE's rights issuance in June 2011

### **▲ Proven Operational Track Record in Henan**

- Over 20 years operating history in property development in Henan
- Well-known brand name in Henan associated with quality and service

### **▲ Large End-user-driven Property Market in Henan with Stable and Consistent Growth**

- Favorable end-user demands underpinned by advancement of new urbanization
- Henan contracted ASP at RMB5,764/sq.m. in FY2015, up 26.4% to RMB7,288/sq.m. in FY2016
- Strong pricing power – CCRE achieved ASP 47% above than Henan average selling price (2016)<sup>3</sup>

### **▲ Sufficient Low Cost Land Bank**


- Total land bank consists of total GFA of 21.05 mn sq. m. for new development as at 31 Dec 2016 – sufficient for development for the next 4 – 5 years<sup>4</sup>
- Average land cost of RMB854 psm based on planned GFA as at 31 Dec 2016

Source: Company information

Note: <sup>1</sup> Based on Henan Housing and Construction Administration (Supervision Index) (河南省住房和城乡建设厅), based on contracted sales in 2016; <sup>2</sup> Includes prefecture-level cities and county-level cities; <sup>3</sup> Based on 2016 data; <sup>4</sup> Land bank consists of planned GFA of properties under development, planned GFA of properties held for future development for which the Company has obtained land use rights certificates and planned GFA of properties held for future development for which the Company has yet to obtain land use rights certificate

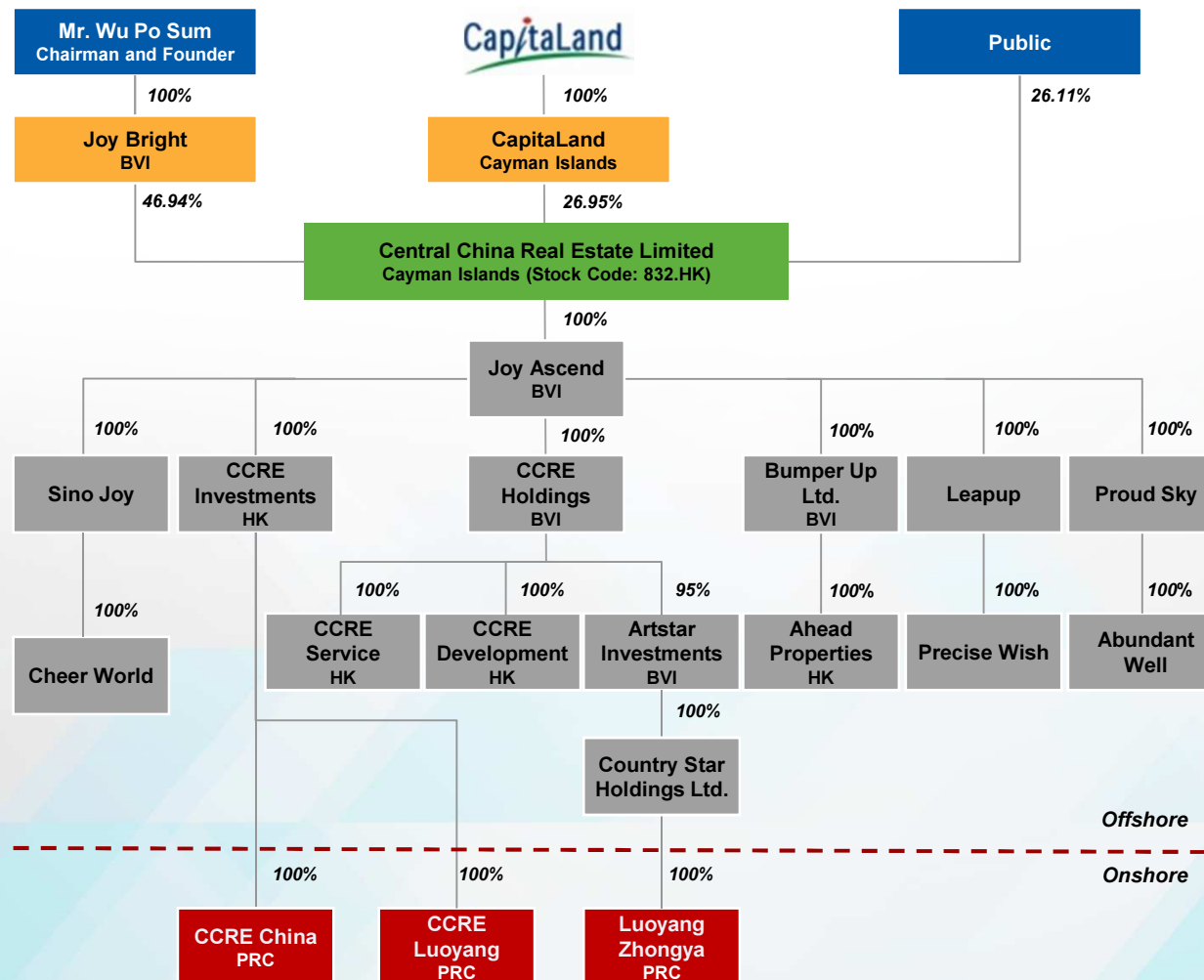


## Experienced Board of Directors and management team

<b>Executive Directors and management</b>	<p><b>Mr. Wu Po Sum</b> <i>Founder and Chairman, Executive Director</i></p> <ul style="list-style-type: none"><li>Over 20 years of experience in real estate sector</li><li>Vice President of the China Real Estate Industry Association</li><li>Co-founder of China Urban Realty Association and was Chairman from 2004 – 2006</li><li>Vice President of the Federation of Industry and Commerce of Henan</li></ul>	<p><b>Ms. Yan Yingchun</b> <i>Executive Director</i></p> <ul style="list-style-type: none"><li>Over 20 years of experience in financial management</li><li>Responsible for daily operation of the Board and internal audit of CCRE</li></ul>	<p><b>Mr. Liu Weixing</b> <i>Executive Director</i></p> <ul style="list-style-type: none"><li>Over 35 years of experience in banking and finance</li><li>Joined CCRE in 2016 as Vice President of the Company</li><li>Chairman of CCRE China</li></ul>
<b>Non-Executive Directors</b>	<p><b>Mr. Lucas Ignatius Loh Jen Yun</b></p> <ul style="list-style-type: none"><li>Chief Executive Officer of CapitaLand China Holdings Pte Ltd</li><li>Non-Executive Director of Lai Fung Holdings Limited</li><li>Member of the Audit Committee of CCRE</li><li>Vice-Chairman of CCRE China</li></ul> 	<p><b>Mr. Puah Tze Shyang</b></p> <ul style="list-style-type: none"><li>Chief Executive Officer of CapitaLand Township Holdings Pte Ltd</li><li>Appointed on 1 April 2015</li><li>CapitaLand China's Regional General Manager, South-West China</li></ul> 	<p><b>Ms. Wallis Wu</b></p> <ul style="list-style-type: none"><li>Daughter of Founder, Chairman Wu</li><li>Bachelor of Architecture degree from University of New South Wales</li><li>Master of Applied Finance from Macquarie University</li></ul>
<b>Independent Non-Executive Directors</b>	<p><b>Mr. Cheung Shek Lun</b> <i>Chairman of Audit Committee of CCRE</i></p> <ul style="list-style-type: none"><li>Member of the remuneration committee of CCRE</li><li>Vice Chairman of InsiteAsset Management Group Ltd.</li><li>Member of the HKICPA, CACA and the HKICS</li></ul>	<p><b>Mr. Muk Kin Yau</b></p> <ul style="list-style-type: none"><li>Previously Managing Director in GIC Real Estate Pte Ltd. (1994-2009)</li><li>An advisor to Pacific Eagle Group Pte Ltd.</li><li>Appointed on 1 August 2013</li><li>Over 20 years of experience in real estate investment experience</li></ul>	<p><b>Mr. Xin Luo Lin</b> <i>Chairman of Remuneration Committee of CCRE</i></p> <ul style="list-style-type: none"><li>Director and Vice Chairman of Oriental Technologies Investment Limited</li><li>Director of Asian Growth Capital Co. Ltd.</li><li>Non-Executive Director of Asian Capital Holdings Limited</li><li>Independent Non-Executive Director of Enerchina Holdings Limited and Sinolink Worldwide Holdings</li></ul>



## Corporate structure and ownership



- CapitaLand – one of the largest listed real estate companies in Asia with a market capitalization over SGD12.8bn as at 31 December 2016

- Strategic investor in CCRE since 2006 (pre-IPO)

- Second largest shareholder with 27.0% interest

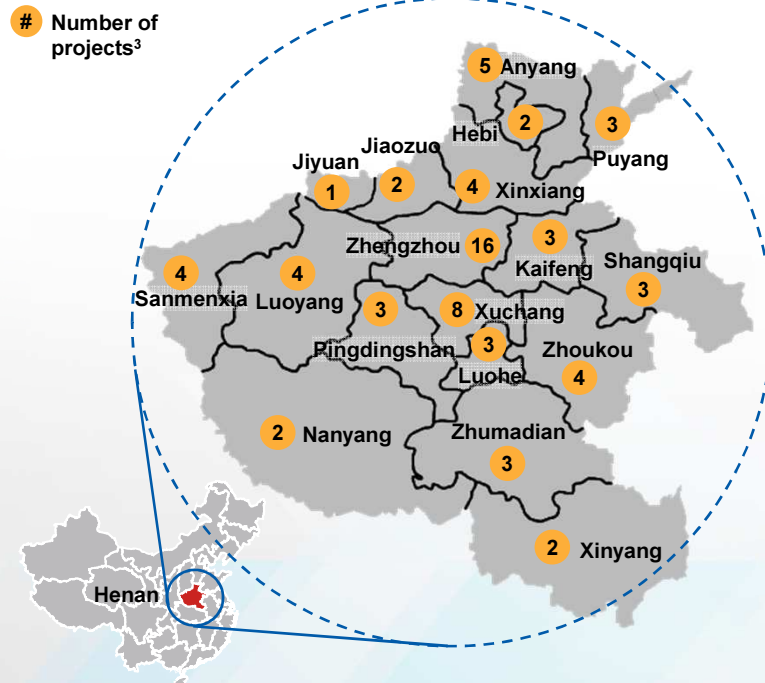
- CCRE provides CapitaLand with a platform to gain exposure to central China region

Note: Information as at 31 December 2016



## Land bank overview

### Extensive presence in Henan Province

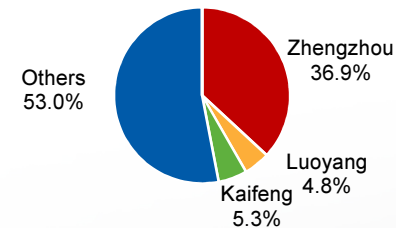


**20.92 mn sqm<sup>1</sup> land bank for new development across 38 cities<sup>2</sup> of Henan Province with a total of 73 projects at various development stages**

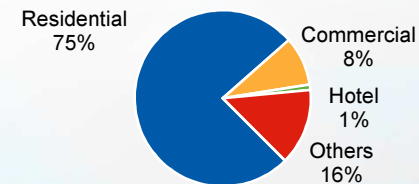
Source: Company information

Note: Information as at 31 Dec 2016 <sup>1</sup> Consists of planned GFA of properties under development, planned GFA of properties held for future development for which the Company has obtained land use rights certificates and planned GFA of properties held for future development for which the Company has yet to obtain land use rights certificate; <sup>2</sup> Includes 18 prefecture-level cities and 20 county-level cities; <sup>3</sup> Based on total land bank

### Geographical breakdown of land bank<sup>3</sup> by GFA



### Type breakdown of land bank<sup>3</sup> by GFA

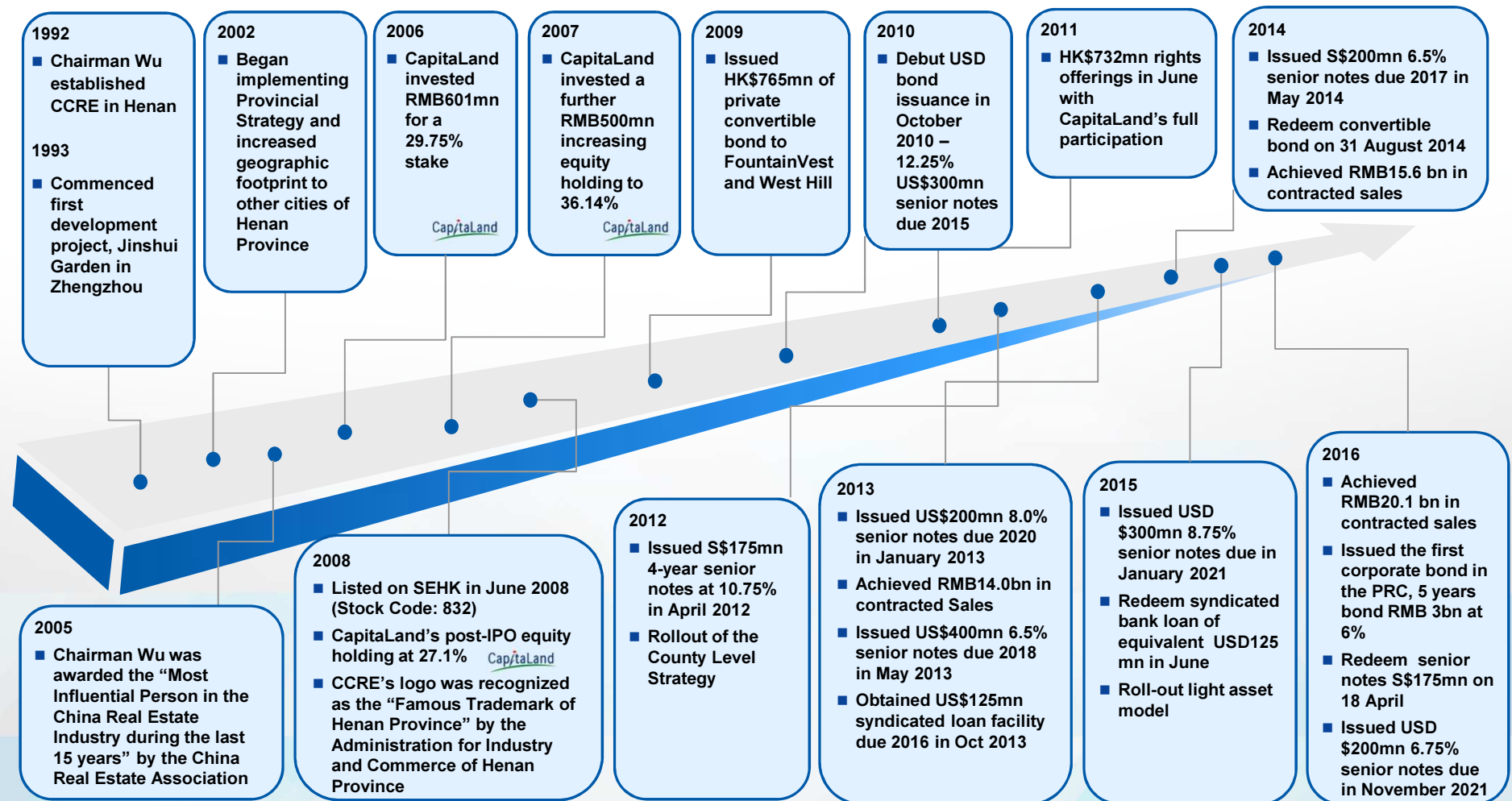


### Development phase breakdown of land bank<sup>3</sup> by GFA





## Key Milestones



Proven track record with 25 years of successful operating history in Henan Province

Source: Company information

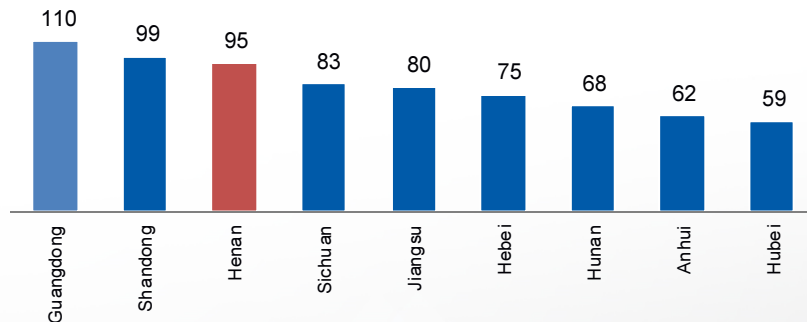
# Henan Province at a glance

## North-South, East-West transportation hub of China

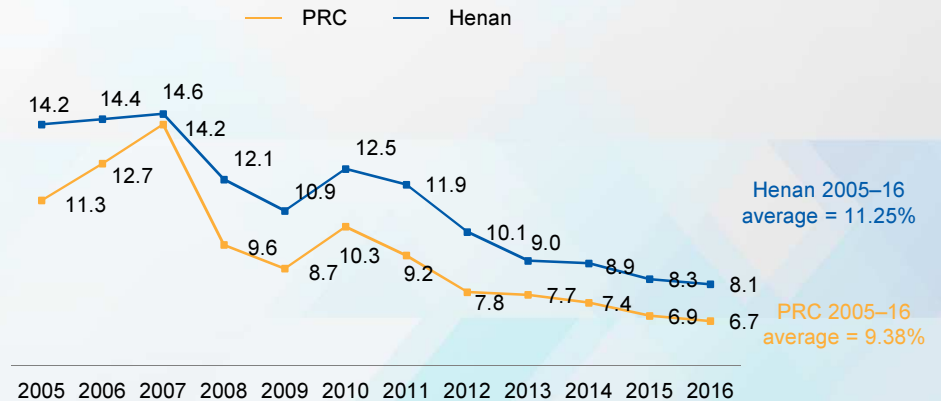


- ✓ Largest province in China by registered residents<sup>1</sup> and third largest by population<sup>5</sup>
- ✓ Ranks 5<sup>th</sup> largest economy in China by nominal GDP c.USD 600 billion
- ✓ Rapid growth urbanization with above national urbanization (UB) rate growth, 1.6% in Henan vs. 1.3% in China<sup>3</sup> in 2016 with UB rate of c.48.5%
- ✓ Close proximity to major cities in China, within 2 to 3 hours by flight
- ✓ Extensive infrastructure – 6,305km of expressways<sup>4</sup> – High speed rail network
- ✓ Established base for manufacturers and producers of grain, meat and mining resources, food products with strong growth in local tourism
- ✓ Strong growth potential – Henan Province growth will be supported by further development of the three national strategies, namely the food production core zone, central China economic zone and Zhengzhou Aviation Port Economic Integration Trial Zone
  - Zhengzhou to become regional commercial and financial hub
  - Increasing investments by MNCs e.g. Nissan, ABB, Foxconn, Swire Coca-Cola

## One of the most populous provinces in China<sup>5</sup> (mn)



## Above national average real GDP growth



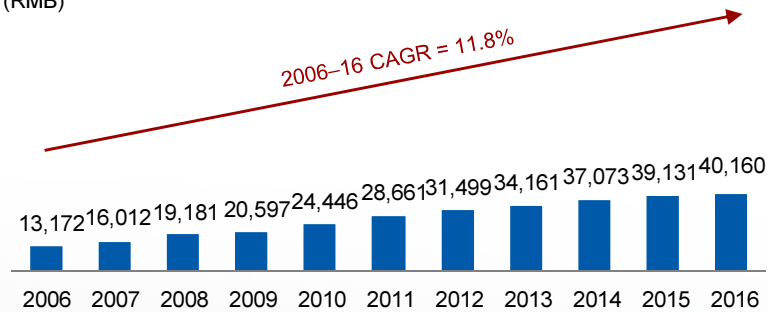
Source: National Bureau Statistics of China

Note: <sup>1</sup> Based on population census as at 31 December 2016; <sup>2</sup> Includes prefecture-level cities and county-level cities; <sup>3</sup> Based on population as at 31 December 2016; <sup>4</sup> As at 31 December 2016; <sup>5</sup> Based on population as at 31 December 2016

# A promising market with rising housing demand...

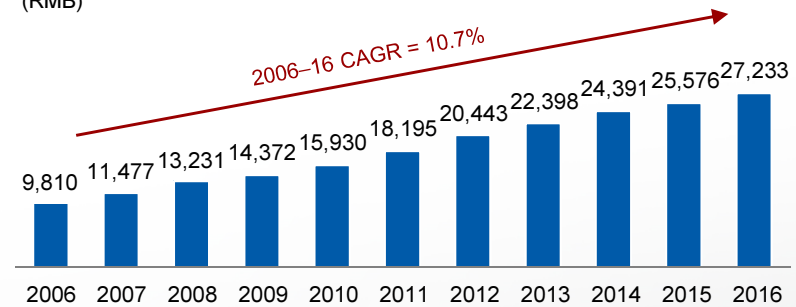
## Increasing GDP per capita in Henan

(RMB)



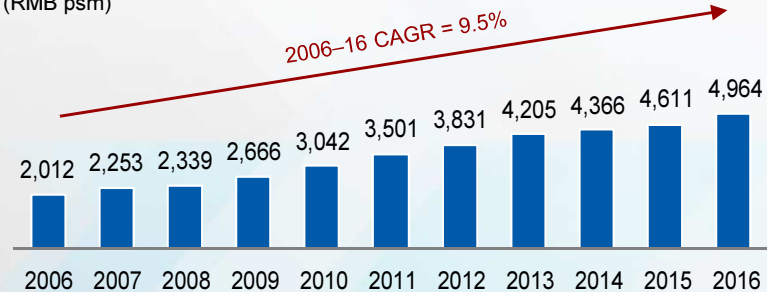
## Rising disposable income per capita<sup>1</sup> in Henan

(RMB)



## Affordable ASP<sup>2</sup> in Henan

(RMB psm)



## Housing demand<sup>2</sup> exceeds supply in Henan

(mn sqm)



Steady growth in purchasing power and favorable supply and demand dynamics

End-user driven market (with majority of local upgrade and first-time buyers) results in less exposure to cyclicality and policy changes compared to other PRC provinces

Source: Data before 2016 are from China Statistical Yearbook, Henan Statistical Yearbook, Henan Government Work Report; Data of 2016 is from news and company research from the Internet, subject to change after official national data launched.

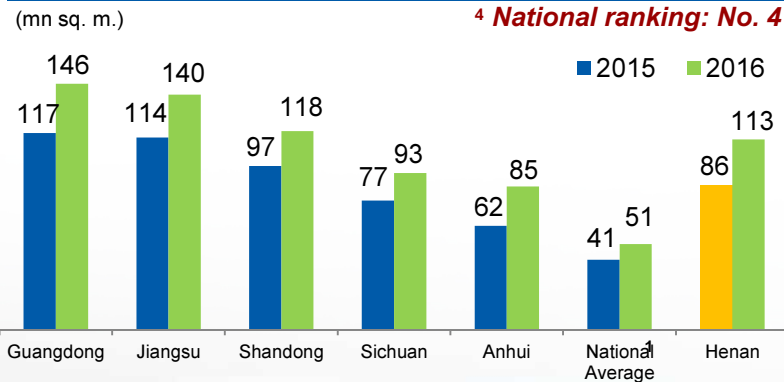
Note: <sup>1</sup> Of urban households; <sup>2</sup> Based on commodity properties



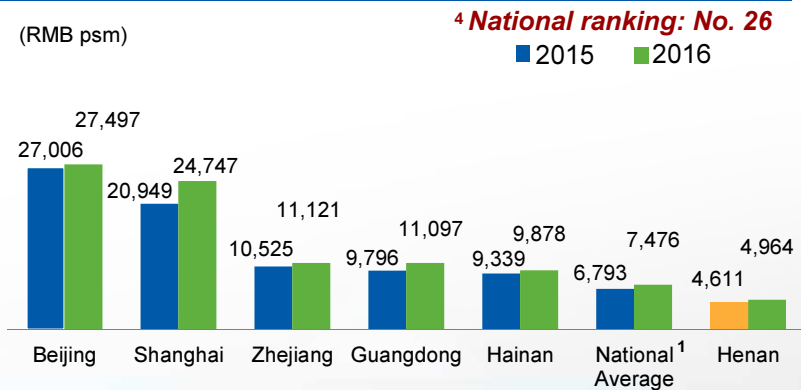
## ...with strong growth potential

▲ Favorable fundamentals and promising growth prospect for Henan property market, 4th largest property market by volume

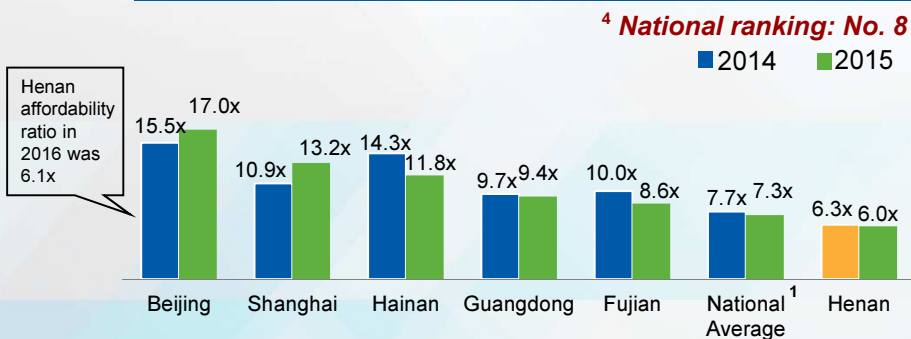
### Contracted Sales GFA – Sizeable Market



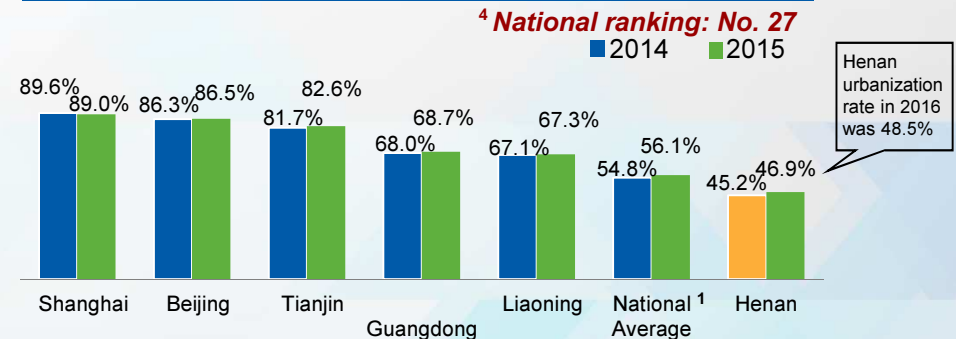
### ASP<sup>3</sup> – Significant Room for Growth (RMB psm)



### Affordability Ratio<sup>2</sup> – Highly Affordable Properties



### Urbanization Rate – Strong Underlying Potential



Source: China Statistical Yearbook

Note: <sup>1</sup> National average based on average of provinces in China; <sup>2</sup> Affordability ratio = average price of a 100 sq. m. apartment / average annual household disposal income, assuming an average household size of 3; calculations are based on information as at 31 December 2016; lower number indicates better affordability; <sup>3</sup> Based on commodity properties; <sup>4</sup> 31 regions in total, included 22 provinces, 4 direct-controlled cities and 5 autonomous regions (Hong Kong and Macau excluded).

## Favorable policy environment

### Nationwide

#### 13th Five-Year Plan – medium-term objectives

- Promote healthy development and stable operations of the real estate market
- Focus on urbanization and development of central China region

#### Regulatory environment

- Improving macro credit conditions
  - PBOC lowered 1-year lending rate by 25bps to 4.35% in October 2015
  - Commercial bank reduced RRR by 50bps to 16.5% in March 2016
- Curbs targeted at speculative demand and not end-users
  - Mortgage discounts for first-time homebuyers
  - Relaxation of housing provident fund loans to end-users
  - Potential property tax have less impact on end-users
- Significant progress will be made by the government on the establishment of highly efficient and long-lasting mechanism for the property market, regional integration and new urbanization
- Supportive policy with House Purchasing Subsidy in tier 3,4 cities of Henan to encourage rural citizens moving to urban area

### Henan Province

#### 13th Five-Year Central China Development Plan

- Central China covers six provinces including Henan
- Accentuates the importance of Central China development and sets out the strategy and focus for the next five years
- Adopted by provincial government as part of overall development strategy for Henan in the 13<sup>th</sup> Five-Year Plan
  - Total area of central China is 289,000 sqm
  - Population of central China is c.170 million

#### Core goals 2011 to 2020

- Achieve annual GDP growth > 10% by 2018
- Raise urbanization rate in the zone to 48% by 2018
- Develop Zhengzhou into the regional manufacturing base, commercial center, financial hub and logistics hub in Central China region
- Develop Zhengzhou Aviation Port Economic Integration Trail Zone
- Develop Henan as food production core zone
- 'One Belt, One Road' Initiative transforms Zhengzhou into a key logistics hub as well as warehousing between China and Europe
  - A regular rail route starting in Zhengzhou which crosses the 10,000km expanse to Hamburg, Germany, in two weeks
  - The Western Europe-Western China highway also passes through Zhengzhou

**CCRE is well positioned against the current backdrop**

Source: Central China Economic Zone Development Plan (中原经济区规划), China's 13th Five Year Plan



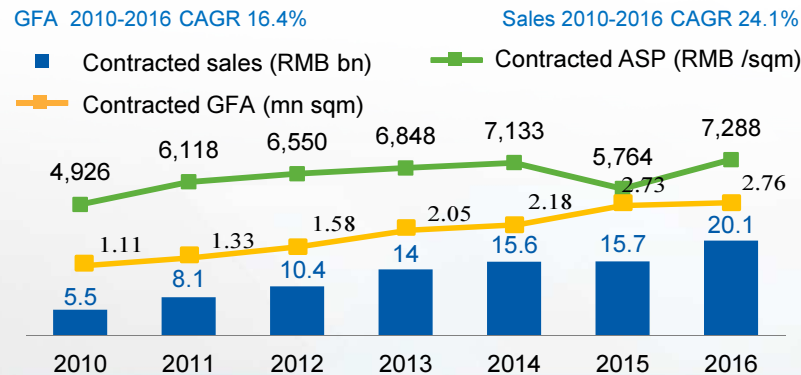
## Key highlights



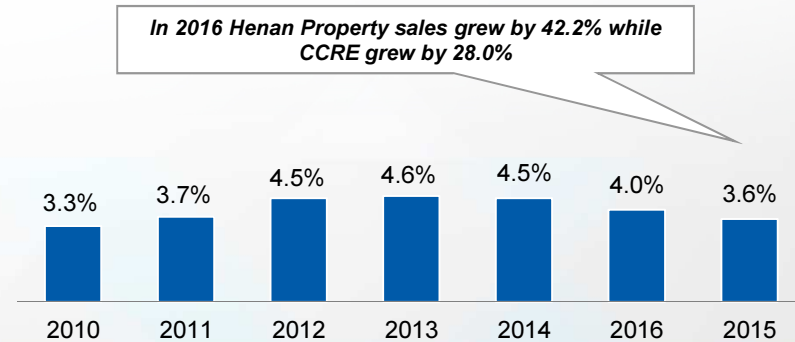
# 1 Market leader in Henan Province...

- ✓ #1 among China Top 10 Central and Western China Real Estate Company by Brand Value <sup>1</sup>
- ✓ Achieved RMB 20.1 billion of contracted sales in 2016 – CAGR of 24.1% (2010 – 2016)
- ✓ Achieved 2.76 million sqm contracted sales GFA in 2016 – CAGR of 16.4% (2010-2016)
- ✓ Contracted ASP in 2016 reached RMB 7,288 per sqm – CAGR of 6.7% (2010-2016)
- ✓ Achieved RMB8.9 billion of contracted sales as at 31 May 2017, represent a y-o-y growth of 67%

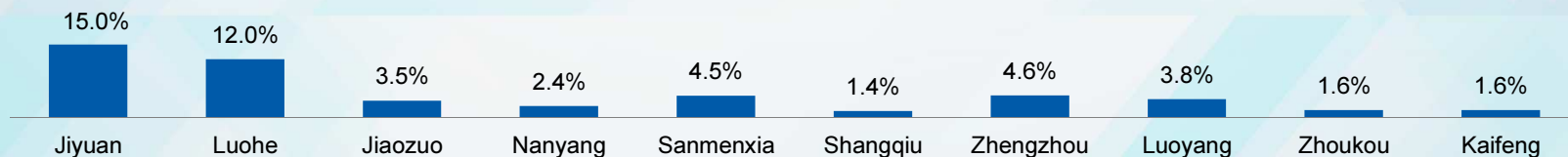
## Consistent strong contracted sales performance



## Market share<sup>2</sup> in Henan Province



## Market share<sup>2</sup> in selected cities as at 31 December 2016



Source: Company information

Note: <sup>1</sup> According to China Real Estate Top 10 Research Team, as at 31 December 2016; <sup>2</sup> Based on Henan Housing and Construction Administration (Supervision Index) (河南省住房和城乡建设厅),





# 1 ...with strong brand recognition and service culture


**#1 among China Top 10 Central and Western China Real Estate Company by Brand Value (2016)**

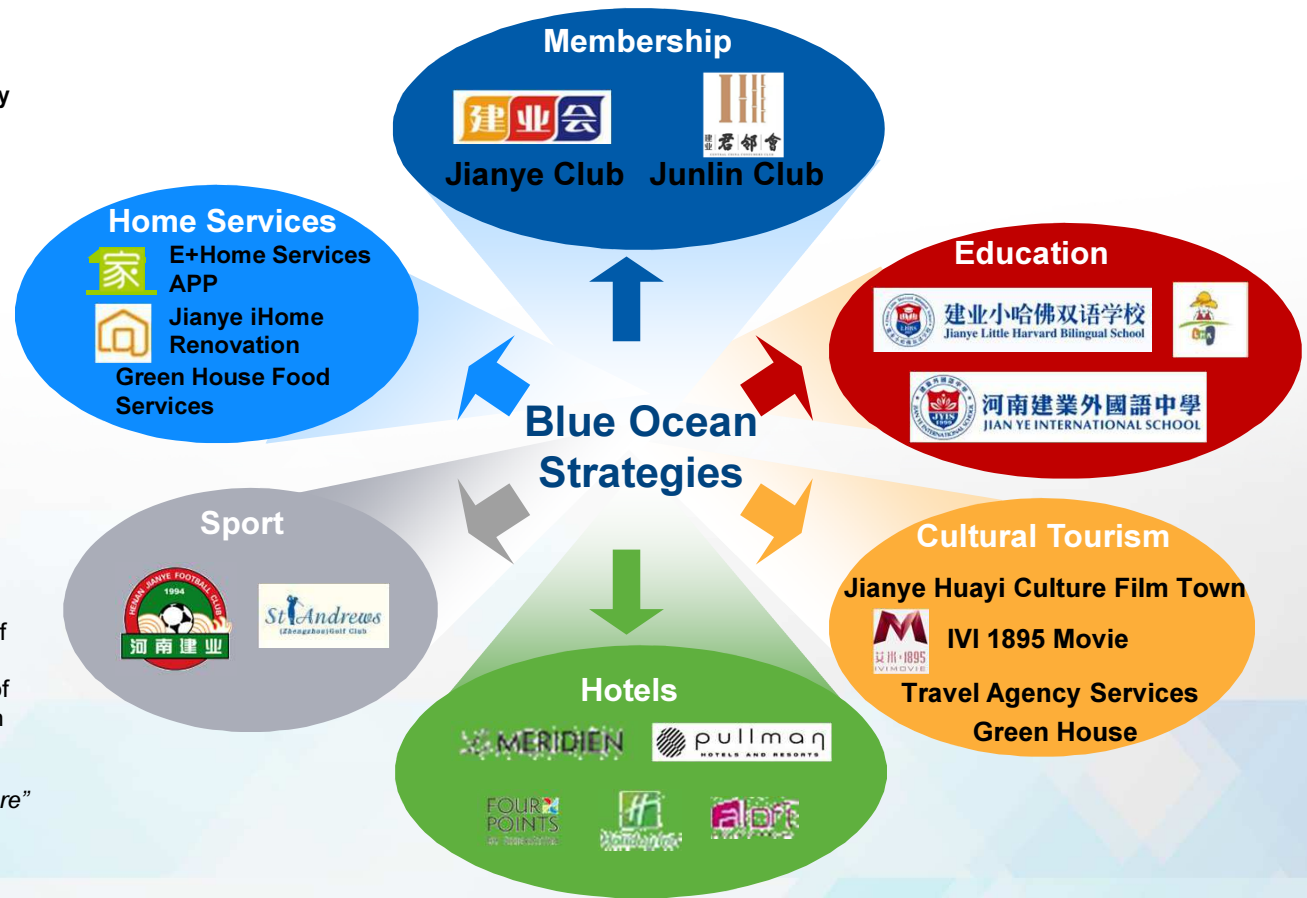

**#4 among China Top 100 Listed Real Estate Companies with Best Business Performance (2016)**


**#28 among Top 500 Chinese Property Developers (2016)**


 Established service network and adopt an integrated approach to serve customers


 Over 500,000 households are members of Jianye Club, issued with the “Supreme membership card”; Over 2000 members of Junlin Club since the program launched in April 2016


 Our motto “any service, anytime, anywhere”



**More than just a property developer – CCRE is a lifestyle provider offering customers a myriad of services catering to their daily needs**

Source: China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal, People’s Government of Henan

# 1 Strong product innovation and market segmentation

- **Leader in product innovation** – built the first mixed-use development in Zhengzhou
- Our products, Forest Peninsula, U-Town, Code One City and Triumph Plaza are products that **opened new markets**, **targeting upgraders market**
- **Strong branding across diversified product lines** catering to mid- to high-end market segments in Henan

	Forest Peninsula	U-Town	Code One City	Triumph Plaza
Product description	<ul style="list-style-type: none"> <li>■ Low density, mixed-use, forest and lake theme</li> </ul>	<ul style="list-style-type: none"> <li>■ Combination of architectural design from Asia and Europe</li> </ul>	<ul style="list-style-type: none"> <li>■ High-rise apartment with modern metropolitan design</li> </ul>	<ul style="list-style-type: none"> <li>■ High-rise commercial building with office and retail area</li> </ul>
Target market	<ul style="list-style-type: none"> <li>■ <b>Established middle class</b> Mid to upper management, civil servants and business owners</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>High-end users</b> Government officials, business owners and senior management of foreign companies</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Rising middle class</b> Urban professionals such as lawyers, doctors, teachers and financial services professionals</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Small to Middle Enterprise</b> Office sold to SME, leased retail area to established mid-market brands.</li> </ul>
Example	 <p>森林半岛 Forest Peninsula</p> 	 <p>联盟新城 U-Town</p> 	 <p>壹号城邦 Code One City</p> 	 <p>凯旋广场 Triumph Plaza</p> 

Source: Company information



## 2 Strong long-term relationship with CapitaLand



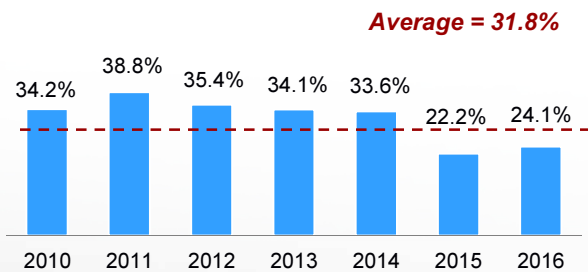
CapitaLand's platform to gain exposure in central China	Long-term investor of CCRE	Board representation by CapitaLand
<ul style="list-style-type: none"><li>■ China is one of CapitaLand's core markets – has been investing in China since 1994</li><li>■ Strategy is to partner with local players with established brand names</li><li>■ Regards CCRE as the platform to gain exposure to the mass residential property market in Henan</li></ul>	<ul style="list-style-type: none"><li>■ Substantial shareholder of CCRE since 2006</li><li>■ CCRE has the first right to participate in residential property opportunities in Henan and five neighboring provinces identified by CapitaLand China</li></ul>	<ul style="list-style-type: none"><li>■ Has 2 board seats (non-executive directors) providing oversight and risk control</li><li>■ Member of strategic and investment committee and audit committee</li></ul>

- ✓ One of the largest real estate companies in Asia with a market capitalization over SGD12.8bn as at 31 December 2016
- ✓ Became a strategic partner in CCRE in 2006 (pre-IPO), having invested RMB601mn for 29.8% of shareholding
- ✓ Further invested RMB500mn in 2007 and increased its shareholding to 36.1%
- ✓ Full participation in the rights issuance in 2011 – further invested HK\$198mn
- ✓ Current shareholding – 27.0% as of December 31, 2016

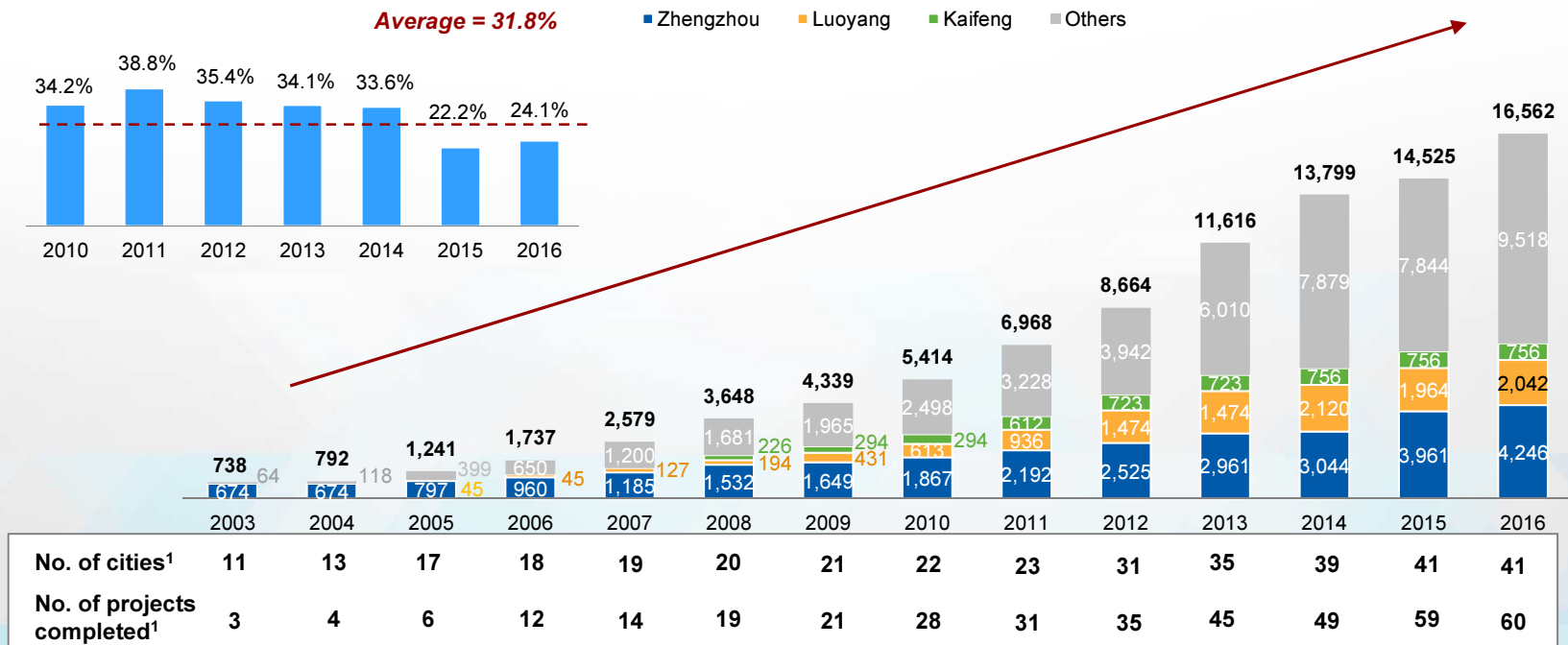
### 3 Proven execution track record

#### Maintained robust profitability while pursuing provincial strategy

##### Gross profit margin



##### Cumulative GFA completed ('000 sqm)



#### Strong execution capabilities evidenced by successful entrance into new markets within Henan through the implementation of the provincial strategy since 2003

Source: Company annual financial statements, Company information (based on internal records of the Company)

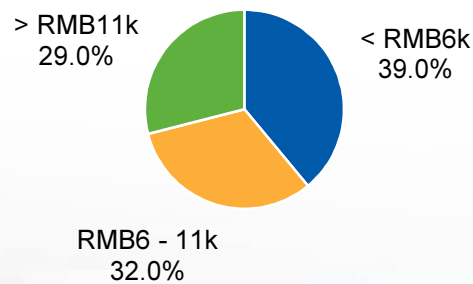
Note: <sup>1</sup> Cumulative number of projects completed and number of cities covered since start of provincial strategy



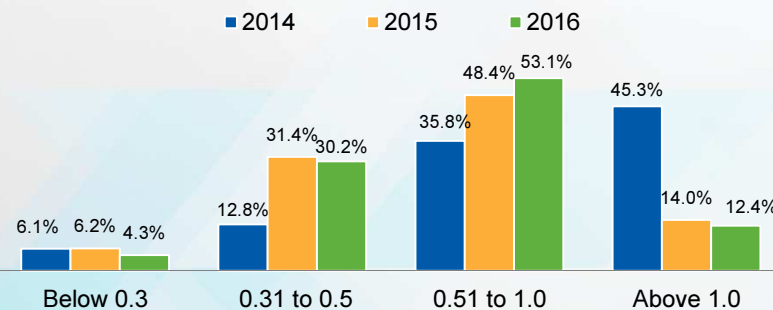
## 4 Well positioned in a large end-user market

### Affordable products

Contracted sales by ASP (2016)<sup>1</sup>

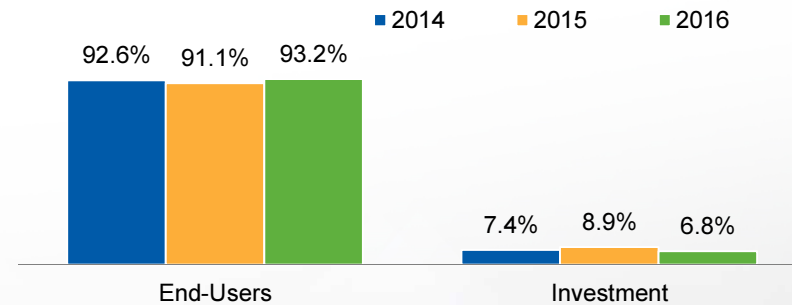


Breakdown of purchases by selling price<sup>3</sup> (RMB mn)



### High demand from end-users

Breakdown of purchasers by usage<sup>2</sup>



- Upgrade and first-time purchases represent a significant portion of overall demand
  - Demand mainly driven by desire to improve living conditions – property prices are less volatile
- Customers primarily comprised of local Henan residents
  - Level of demand from speculative investment remains at a low level
  - Less prone to policy changes
- Housing purchase restrictions (HPR) in Zhengzhou has been implemented again in October 2016. Only one city that CCRE operates in has been affected by HPR.

End-user driven market results in less exposure to cyclicity and policy changes compared to other PRC provinces

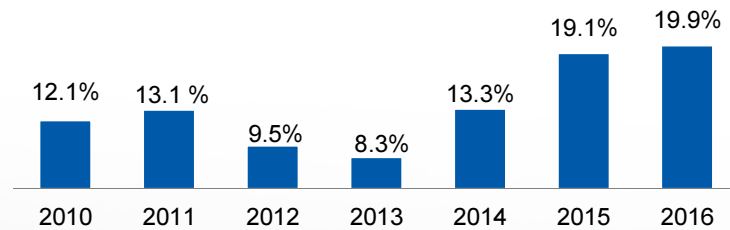
Source: Internal records of the company

Note: <sup>1</sup> Based on total contracted sales in 2016; <sup>2</sup> Breakdown based on number of units; <sup>3</sup> Based on single unit

## 5 Efficient cost structure contributing to solid margins

### Land reserve acquired at low cost

#### Land cost as % of turnover

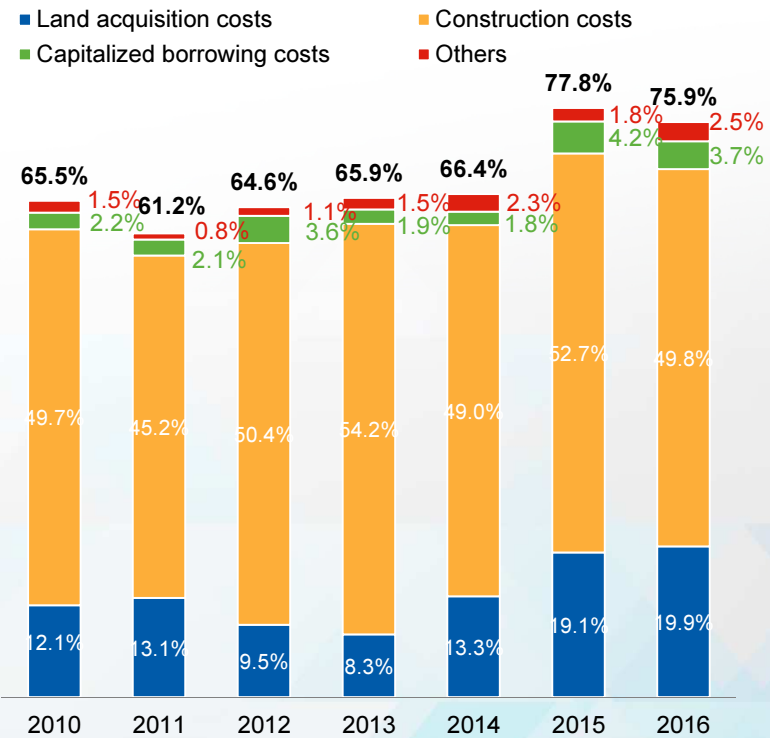


*Land cost has been within 20% of recognized ASP*

#### SG&A as % of total turnover



### Cost of Sales (as % of turnover)



An efficient cost structure, coupled with a clear and focused land acquisition strategy, has helped CCRE maintain the gross

Source: Company information  
Note: <sup>1</sup> From 2010 to 2016

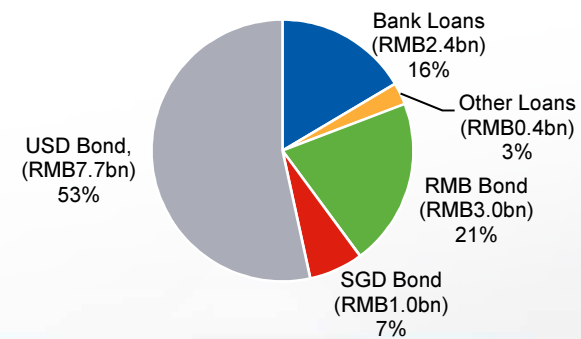
## 6 Prudent financial management

### Key financial management policies

<b>Liquidity</b>	<ul style="list-style-type: none"> <li>■ Maintain sufficient level of liquidity</li> <li>■ Cash balance of RMB11.2bn<sup>1</sup> as at 31 December 2016</li> <li>■ Available unused bank facilities (uncommitted) of RMB55.7bn as at 31 December 2016</li> <li>■ Contract sales of RMB20.1bn in 2016</li> </ul>
<b>Target project return</b>	<ul style="list-style-type: none"> <li>■ Adhere to internal gross margin / net margin thresholds when choosing projects</li> </ul>
<b>Low cost land bank</b>	<ul style="list-style-type: none"> <li>■ Maintain disciplined approach to acquiring low cost land bank</li> </ul>
<b>Debt related ratios</b>	<ul style="list-style-type: none"> <li>■ Maintain gearing and interest coverage ratios at a prudent level</li> </ul>

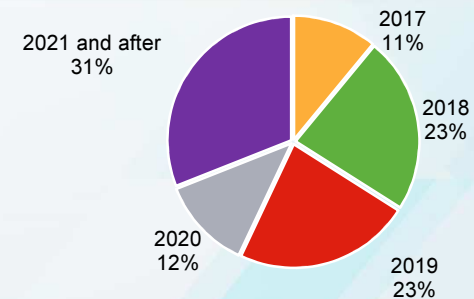
Source: Company information  
Note: <sup>1</sup> Includes restricted cash

### Diverse debt funding sources as at 31 December 2016



Total debt = RMB14.4bn

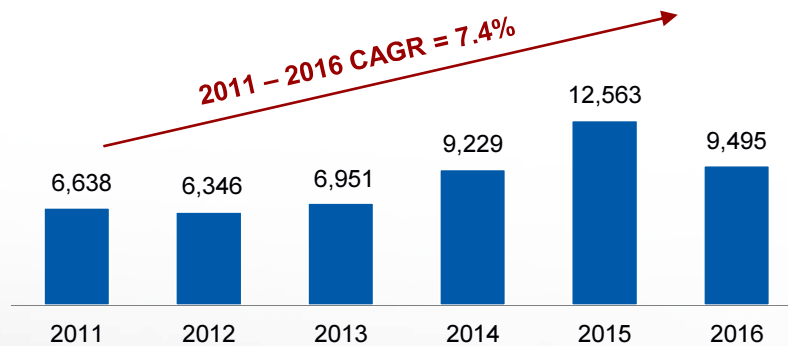
### Well staggered debt maturity profile as at 31 December 2016



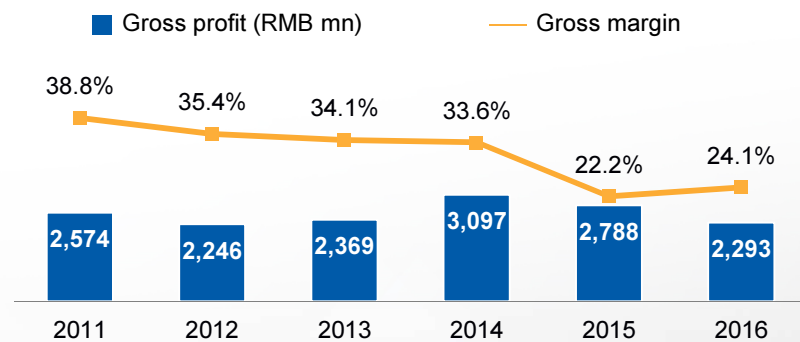
Average debt Maturity = 3.5 years

## Sustained growth in sales and profitability

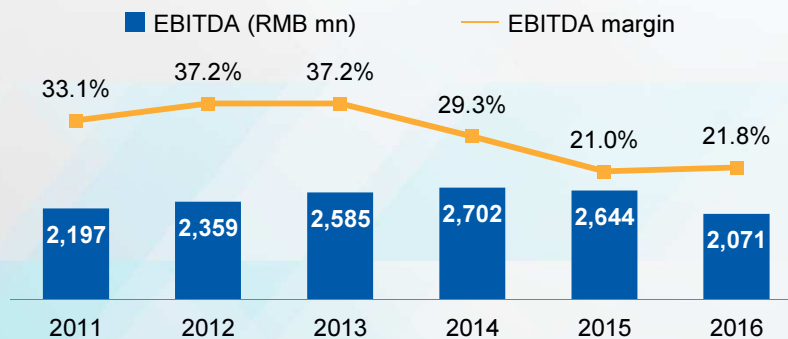
Turnover (RMB mn)



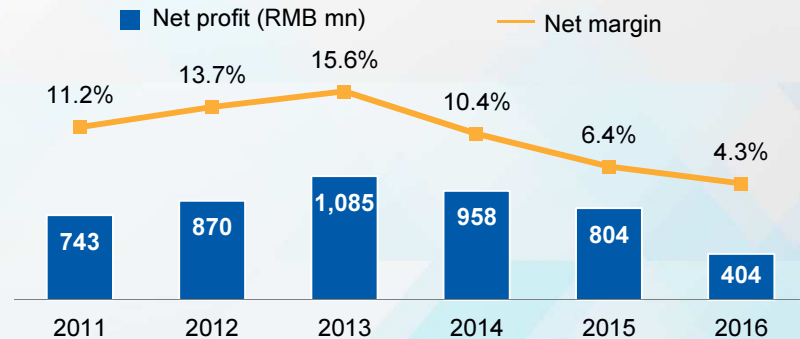
Gross profit and gross margin



EBITDA<sup>1</sup> and EBITDA margin



Reported net profit and net margin



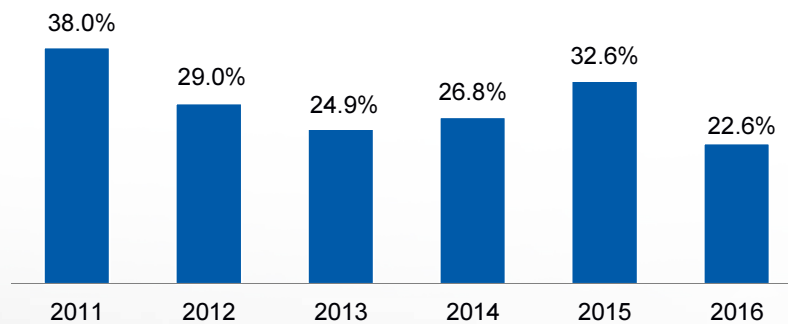
Source: Company information

Note: <sup>1</sup> EBITDA is profit before tax less interest income and add back finance costs and depreciation and amortization

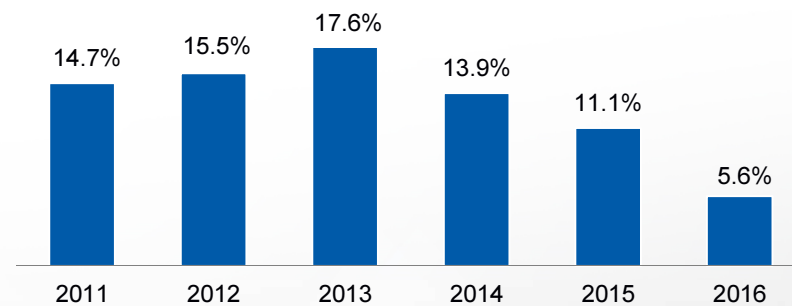


## Healthy cash position and asset turnover

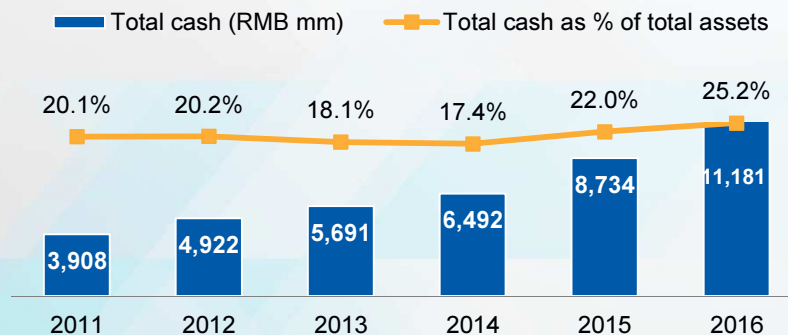
Asset turnover<sup>1</sup>



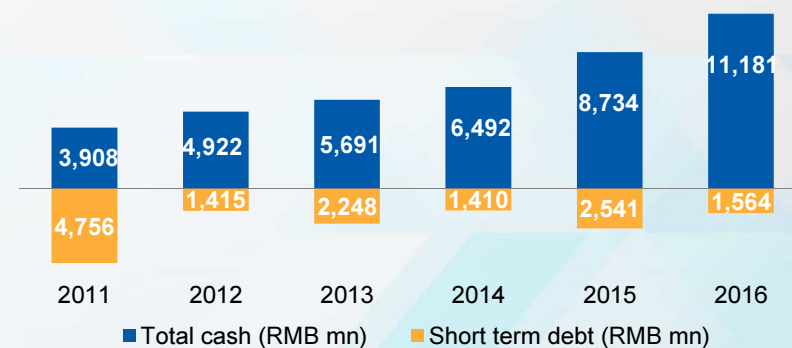
Return on equity<sup>2</sup>



Total cash<sup>3</sup>



Total cash<sup>3</sup> and short term debt

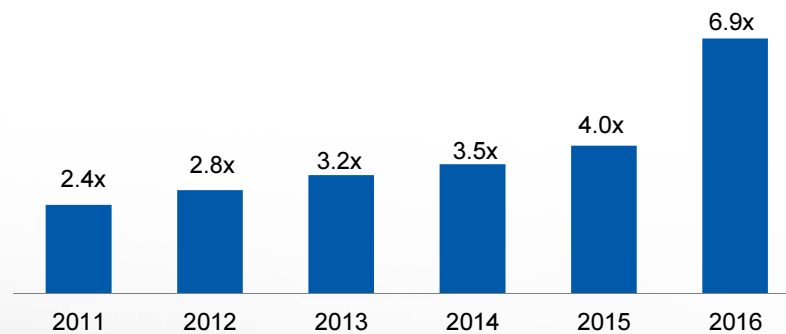


Source: Company information

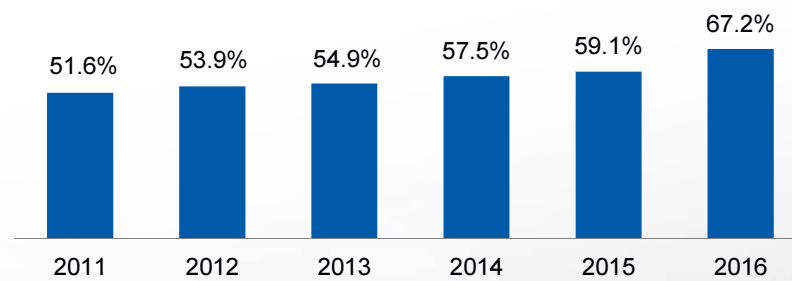
Note: <sup>1</sup> Defined as total turnover divided by average total assets; <sup>2</sup> Defined as reported net income divided by total equity; <sup>3</sup> Includes restricted cash

## Conservative credit profile

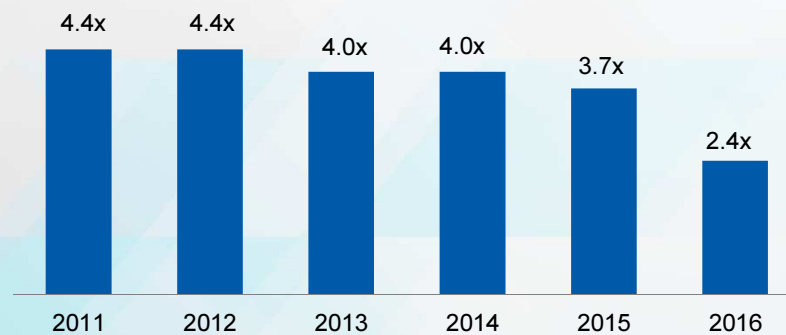
Total debt / EBITDA<sup>1</sup>



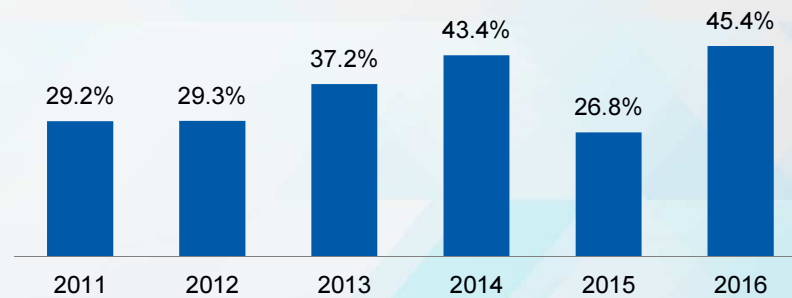
Total debt / total capitalization<sup>2</sup>



EBITDA / interest expense<sup>3</sup>



Net debt<sup>4</sup> / total equity



Source: Company information

Note: <sup>1</sup> EBITDA is profit for the year adjusted for net finance cost, income tax expense, D&A and loss/(gain) from fair value gain of investment properties; <sup>2</sup> Defined as total debt + total equity; <sup>3</sup> Includes capitalized interest and less interest income; <sup>4</sup> Net debt includes restricted cash



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