

2018 July Newsletter

China SCE Group Holdings Limited

Stock Code: 1966.HK

Best 50 of China Real Estate Developers



China SCE Group Holdings Limited ("China SCE" or the "Company") was established in 1996 and listed on the Main Board of The Stock Exchange of Hong Kong Limited in February 2010. The Group's major businesses include property development, property investment and property management. The Company is headquartered in Shanghai for its business operations, while implementing regional focused development strategy targeting the first- and second-tier cities in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the Guangdong-Hong Kong-Macao Greater Bay Area, the West Taiwan Strait Economic Zone and Central Western Region.



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Sales Overview

In July 2018, the Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB4.291 billion and a contracted sales area of 317,069 sq.m., representing a year-on-year increase of 101% and 129%, respectively. The average selling price for July 2018 was RMB13,534 per sq.m.

For the seven months ended 31 July 2018, the Group together with its joint ventures and associates achieved an accumulated contracted sales amount of approximately RMB25.102 billion and an accumulated contracted sales area of 1,962,460 sq.m., representing a year-on-year increase of 42% and 98%, respectively. The average selling price for the seven months ended 31 July 2018 was RMB12,791 per sq.m.

Land Bank

As at July 31 2018, the Group together with its joint ventures and associates owned a land bank with an aggregate planned GFA of approximately 22.25 million sq.m.

Details of newly acquired land parcels in July 2018 are as follows:

City	Group's Equity Interest	Land-use Planning	Area of the Land Parcel (sq.m.)	Aggregate Planned GFA (sq.m.)	Average Land Cost (RMB/sq.m.)
Shangrao	34%	Commercial, residential and educational	123,373	221,144	1,368
Shangrao	100%	Commercial and residential	40,200	104,520	2,770
Shangqiu	95%	Residential	21,029	63,088	900
Kunming	70%	Commercial and residential	738,926	1,847,314	478

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HSBC Initiates a Buy Rating with a Target Price of HK\$5

On 1 August, 2018, HSBC initiated coverage on China SCE with a BUY rating and a target price of HK\$5, approximately 43% higher than the closing price as of 31 July 2018. Net asset value per share is estimated to be HK\$11, a discount of 68% compared to the current share price, presenting a good buying opportunity.

HSBC believes that China SCE has evolved from a regional to a nationwide developer with its geographic footprint methodically expanding. A strategic advantage is noted in its land bank exposure of which over 60% is located in the top 25% of cities with the highest growth potential in China including Nanjing and Tianjin, which strong housing demand is driven by urbanisation.

HSBC also believes that China SCE's CAGR of 41% in contracted sales amount from RMB11.9 billion in 2014 to RMB33 billion in 2017 is backed by its ample salable resources, implying further expansion in contracted sales is likely. Benefitting from the strong sales performance in 2016 and 2017, the growth of China SCE is expected to outperform peers. Gross profit margin in 2018 should remain above 30%.

With respect to the financials, in view of China SCE's good offshore financing capability and the completion of most short-term debt refinancing, HSBC therefore believes that the Company is in relatively robust financial condition. In the first five months of 2018, the Company's stock price was up by 20% and has since experienced a correction in line with the stock market. Hence, the current valuation is attractive and is likely to draw further investor attention.

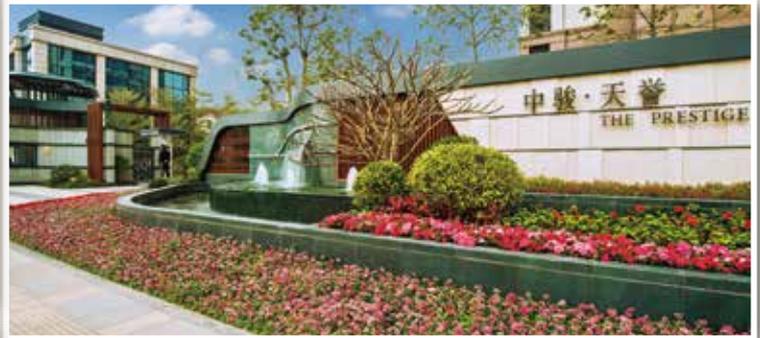
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Disclaimer:

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