

2018 June Newsletter

China SCE Property Holdings Limited

Stock Code: 1966.HK

Best 50 of China Real Estate Developers



China SCE Property 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 Pearl River Delta Economic Zone, the West Taiwan Strait Economic Zone and Central Western Region.



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Sales Overview

In June 2018, the Group together with its joint ventures and associates, achieved a contracted sales amount of approximately RMB3.487 billion and a contracted sales area of 254,026 sq.m., representing a year-on-year decrease of 11% and a year-on-year increase of 42%, respectively. The average selling price for June 2018 was RMB13,724 per sq.m.

For the six months ended 30 June 2018, the Group together with its joint ventures and associates, achieved an accumulated contracted sales amount of approximately RMB20.811 billion and an accumulated contracted sales area of 1,645,391 sq.m., representing a year-on-year increase of 34% and 93% respectively. The average selling price for the six months ended 30 June 2018 was RMB12,648 per sq.m.

Land Bank

As at 30 June 2018, the Group together with its joint ventures and associates owned a land bank with an aggregate planned GFA of approximately 19.89 million sq.m.

Details of new land parcels acquired in June 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.)
Jiaying	30%	Commercial and residential	43,077	107,693	7,080
Chongqing	50%	Commercial and residential	187,010	359,161	5,067
Xiamen	25%	Commercial and residential	38,854	116,000	25,086
Chongqing	50%	Commercial and residential	194,637	389,274	1,725
Lianyungang	70%	Commercial and residential	34,486	58,626	886
Suzhou	100%	Residential	64,584	106,563	6,610
Wuxi	40%	Commercial and residential	125,710	226,278	4,654
Wuxi	33%	Residential	108,219	216,438	7,993
Chongqing	33%	Commercial and residential	129,334	279,497	4,000
Tianjin	33%	Residential	41,798	75,237	10,168
Nanjing	50%	Commercial and residential	87,301	218,215	6,370
Luoyang	90%	Residential	88,104	308,364	226
Zhangzhou	33%	Commercial and residential	68,514	178,137	3,604

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Haitong Securities Initiates Coverage on China SCE with a BUY rating and Target Price at HK\$5.97

Haitong Securities has initiated coverage on China SCE (1966.HK) with a BUY rating and a target price of HK\$5.97 within the next 6 months, a 47% discount to the revaluated net assets value per share. The target price is 42% higher than the closing price of HK\$4.2 as of 6 June 2018.

In its report, Haitong Securities has pointed out that China SCE has implemented the strategic plan of "Regional Focused, Nationwide Development" since 2013, and has projects distributed in 25 cities as at March 2018. Data has shown that from 2013 to 2017, sales have increased steadily at a compound annual growth rate ("CAGR") of 32.4%, with a CAGR of the sales area at 17.1% and a CAGR of the average selling price at 13.1%. In 2017, China SCE formulated and launched its "RMB100 Billion Scale" strategic initiative which has spurred a significant increase in land investment. During 2017, China SCE has acquired 38 projects with an aggregate planned GFA of 6.45 million sq.m. in one single year, representing a year-on-year increase of 283%. The Group's current land bank is sufficient for development over the next three years. The Group is expected to meet the sales target of RMB50 billion this year and reach RMB100 billion in sales in 2020.

Haitong Securities believes that the high turnover is an important reason that China SCE has achieved rapid growth in the scale of its results. In 2017, the Group's inventory turnover rate was 0.48 times, its total assets turnover rate was 0.28 times, and receivables turnover rate was 132.73 times, all among the highest in the real estate industry. Haitong Securities further points out that Standard & Poor's has upgraded the Company's long-term corporate credit rating to B+. The average financing cost and the gearing ratio of the Group in 2017 decreased year-on-year, and its liabilities situation was healthy. In addition, the Company has maintained a good dividend payout record since its listing, and has maintained a steady growth in earnings forecasts, so Haitong Securities has assigned a "Buy" rating to China SCE.

Disclaimer:

This newsletter contains unaudited financial data and is intended solely for personal reference.

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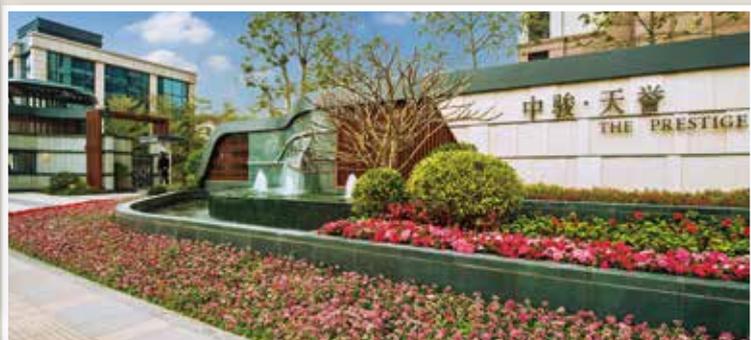
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