

2020 February 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, commercial management, property management and rental apartments business. 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 February 2020, the Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB1.878 billion and a contracted sales area of 137,059 sq.m., representing a year-on-year decrease of 56% and 66%, respectively. The average selling price for February 2020 was RMB13,707 per sq.m.

For the two months ended 29 February 2020, the Group together with its joint ventures and associates achieved an accumulated contracted sales amount of approximately RMB6.907 billion and an accumulated contracted sales area of 468,806 sq.m., representing a year-on-year decrease of 23% and 33%, respectively. The average selling price for the two months ended 29 February 2020 was RMB14,735 per sq.m.

Land Bank

As at 29 February 2020, the Group together with its joint ventures and associates owned a land bank with an aggregate planned GFA of approximately 33.21 million sq.m.

Details of newly acquired land parcels in February 2020 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.)
Fuzhou	100%	Residential and Commercial	161,795	330,062	13,816
Jieyang	100%	Residential and Commercial	191,405	501,874	1,375



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Jefferies, J.P. Morgan and HSBC Recommends China SCE as Their Top Picks Under the Coronavirus Impact

Jefferies estimates China SCE owns RMB400 billion saleable resources with around 70% in T1/2 cities, positioning it to benefit from the buoyant high-tier market. Jefferies believes that China SCE can maintain around 30% sales growth (potentially the highest in the sector) to become a RMB100bn club player this year given its rich saleable resources. Jefferies further believes China SCE's unique asset-light model is helpful in securing quality landbank in high-tier cities at below market price to maintain around 30% gross margin in the medium term. Jefferies affirms China SCE as Top Pick with a 12-month target price of HKD6.66 per share.

J.P. Morgan believes most construction activities which have been suspended due to coronavirus will have resumed by early March. J.P. Morgan also believes the near-term refinancing risk is low for developers under this environment since government gives full support to construction activities in order to stimulating economic growth. Financing will stay smooth for developers. J.P. Morgan expects there will be more policy easing in various forms, and related positive news flows should continue to support a gradual re-rating of the sector. China SCE remains one of their top share picks.

HSBC is optimistic towards the prospect of policy easing. In their view, the current valuation of the sector is not expensive. In addition to the prospect of policy support, the combination of a strong FY19 results together with solid final dividend yield should offer a feel-good factor and strengthen investors' confidence. HSBC is confident in China SCE's execution capability in realising the Company's growth ambitions, thus China SCE remains to be HSBC's preferred pick.

BOCI believes China SCE will continue to lead sales growth in 2020, with 30% year-on-year growth to RMB105 billion or over 40% growth in attributable terms. BOCI estimates that China SCE's 2019 results are expected to see over 25% core earnings growth with a healthy balance sheet despite a one-off margin normalisation. BOCI prefers the Company's balanced growth and unique advantage in land acquisition by leveraging its capability in shopping mall and rental apartment operations, which allows China SCE to secure land resources with lucrative profitability. BOCI maintains BUY rating with a new 12-month target price of HKD5.17(+6%) per share.

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Funlive and Gaw Capital Partners' Long-term Rental Apartment Investment Platform Won the PERE Awards 2019

Gaw Capital Partners has been awarded "Residential Investor of the Year - Asia" at the PERE Awards 2019 upon its investment in the long-term rental apartment investment platform co-established with Funlive of China SCE ("Platform").

The Platform, which has received initial funding of US\$800 million was established in December 2018, with the aim to acquire, develop and operate multi-family residential projects in China's core cities, to meet with strong demand in the coming years. As the manager of the investment platform, Funlive is responsible for the overall investment, financing, management and exit of the platform. In 2019, the Platform has completed the investment of two long-term rental apartment projects in Shanghai, with a total gross floor area of nearly 120,000 sq.m.



Funlive Pujiang Apartment, Shanghai

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