

2018 March 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 March 2018, the Group together with its joint ventures and associates achieved contracted sales amount of approximately RMB3.612 billion and contracted sales area of 274,861 sq.m., representing a year-on-year increase of 23% and 84% respectively. The average selling price for March 2018 was RMB13,141 per sq.m.

For the three months ended 31 March 2018, the Group together with its joint ventures and associates achieved accumulated contracted sales amount of approximately RMB11.623 billion and accumulated contracted sales area of 942,162 sq.m., representing a year-on-year increase of 71% and 137% respectively. The average selling price for the three months ended 31 March 2018 was RMB12,336 per sq.m.

Land Bank

As at 31 March 2018, the Group together with its joint ventures and associates owned a land bank with an aggregate planned GFA of approximately 17.08 million sq.m.

Details of new land parcels acquired in March are as follows:

City	Group's Equity Interest	Land-use Planning	Area of the Land Parcel (sq.m.)	Above-ground GFA (sq.m.)	Average Land Cost (RMB/sq.m.)
Jiujiang	51%	Commercial and residential	38,019	95,049	2,346
Zhangzhou	100%	Residential	66,583	146,481	1,823
Tianjin	16.5%	Residential	36,267	43,520	6,036
Yangzhou	20%	Residential	47,137	84,847	2,077

Successfully Obtained Syndicated Loan

On 14 March 2018, China SCE secured a syndicated loan in the amount of approximately HK\$3.24 billion equivalent from 12 banks, with the Hongkong and Shanghai Banking Corporation, Hang Seng Bank and Bank of China (Hong Kong) as lead managers and bookrunners and Industrial Bank as the mandated lead manager. The 3.5-year syndicated loan carries an annual interest rate of HIBOR or LIBOR + 3.3%. The proceeds will be used to refinance the Group's existing financial indebtedness and financing the general corporate funding requirements. The loan will enable the Group to lower average financing costs and is also a proof showcase that the Group's increasing recognition in the market, preparing for land purchases this year and boost sales growth in the future.



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Various Research Houses Raised China SCE's Target Price

After the Group announced its 2017 annual results on 14 March 2018, Citigroup, Macquarie, Deutsche Bank, BOC International and Haitong International all reaffirmed the "Buy" rating for China SCE along with raising its respective target share price.

Citigroup believes that China SCE has been equipped with the required DNA of a quality flyer, including broad city base, ample resources, strong corporate structure, diverse talent and effective incentive schemes. It believes that the understated share price of China SCE will be improved through more capital market interactions. Citigroup gave China SCE the "Buy" rating and raised its target price to HK\$6.38 per share.

Macquarie pointed out that China SCE's 2017 results were better than expected. It's rare to see improvement across core earnings, revenue, gross margin and dividend payout ratio at the same time among medium and small developers were better than expected which came with a decreased net gearing ratio is rare among medium to small developers. Macquarie believes that adequate land reserves and saleable resources, plus the intention to boost sales growth via M&A are going to drive China SCE's business performance. As such, it expects China SCE to "Outperform" the market and raised the target price to HK\$6.01 per share.

Deutsche Bank believes the sales and results of China SCE will be driven by its land acquisition strategy in ensuring sufficient saleable resources and gross margin likely to remain at around 30%. The contracted sales amount of the Company in 2018 is estimated at RMB51 billion, delivering a 30% earnings CAGR. Therefore, Deutsche Bank reaffirmed China SCE the "Buy" rating and raised its target price to HK\$5.80 per share.

Bank of China International believes that China SCE's smart land acquisition strategy has supported its rapid sales growth and nationwide expansion, thus contributing to its satisfactory 2017 results. The Company also avoided those land market in cities with over-heated land prices, hence is able to keep land cost low and stay profitable. Thus, Bank of China International reaffirmed China SCE's "Buy" rating and raised its target price to HK\$5.51 per share.

Haitong International stated that China SCE has been active in land acquisition recently and that will boost their sales growth. It is likely that they can achieve the sales target of RMB50 billion in 2018. With the Company expected to, in particular, remain financially sound while achieving growth, its share price is at a bigger discount compared with its peers. Haitong International believes that China SCE's share is an attractive investment, it reaffirmed China SCE the "Buy" rating and raised its target price to HK\$5.49 per share.

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Standard & Poor's Raised Credit Rating of China SCE

On 20 March 2018, the international rating agency Standard & Poor's raised China SCE's long-term issuer credit rating from B to B+ and long-term issue rating on China SCE's senior unsecured notes from B- to B. S&P believes the financial structure of China SCE had improved notably in 2017 and that the improvement would continue, thus it raised the credit rating of China SCE.

China SCE Again Awarded in "2018 Best 50 of China Real Estate Developers"

On 21 March 2018, the results of the "Best 500 of China Real Estate Developers" appraisal were jointly announced by the China Real Estate Association and China Real Estate Appraisal Centre. China SCE ranked 44th braced by its key concept of "the future determines the present", active and diverse land bank, high quality products and fast-growing results and profit. China SCE also came second among the "Best 10 of Regional Operations of China Real Estate Developers" in 2018.

Disclaimer:

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

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