

2019 October 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 October 2019, the Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB6.101 billion and a contracted sales area of 564,001 sq.m., representing a year-on-year increase of 7% and 25% respectively. The average selling price for October 2019 was RMB10,818 per sq.m.

For the 10 months ended 31 October 2019, the Group together with its joint ventures and associates achieved an accumulated contracted sales amount of approximately RMB60.751 billion and an accumulated contracted sales area of 4,955,263 sq.m., representing a year-on-year increase of 55% and 60%, respectively. The average selling price for the 10 months ended 31 October 2019 was RMB12,260 per sq.m.

Land Bank

As at 31 October 2019, the Group together with its joint ventures and associates owned a land bank with an aggregate planned GFA of approximately 31.80 million sq.m.

Details of newly acquired land parcels in October 2019 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.)
Taizhou	34%	Residential and Commercial	102,821	272,476	6,569
Zhangzhou	100%	Residential and Commercial	57,702	155,795	3,209

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Jefferies Recommends China SCE as Top Pick with a Target Price of HKD6.75 per Share

Jefferies believes that China SCE's rich saleable resources in T1/2 cities will sustain 40+% sales CAGR towards RMB100 billion club. Also, with a low average land cost, Jefferies estimates China SCE can maintain its gross margin at a decent 25-30% in the next 3 years.

Jefferies forecasts China SCE's earnings growth will accelerate in FY2020, given its strong sales and stable margins. With a stable dividend payout ratio of 30-35%, Jefferies expects China SCE to offer 7-12% dividend yields in FY2019-2021, which is at the high-end among peers.

Jefferies comments China SCE has developed a unique asset-light model by acquiring mixed-use projects (with rental apartments/malls) at below market price and at the same time via collaboration with property funds to improve asset turnover. Jefferies believes the synergies will also help China SCE to acquire quality landbank at lower cost in the competitive land market, thus maintaining its gross margin at above-peer level in the medium term.

Therefore, Jefferies initiates coverage of China SCE with a Buy rating and price target of HKD6.75, and includes China SCE as a top pick.

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China SCE Hangzhou-Shanghai Reverse Roadshow

China SCE held a reverse roadshow on October 28-29, 2019. Nearly 30 analysts participated in the event and visited three projects in Hangzhou. They also visited the Headquarter of China SCE to have in-depth exchanges with the management.

Hangzhou, ride on the back of The Yangtze River Delta Integration plan. The Group sees a great opportunity in this city and has acquired a few more land parcels in 2019 which would make Hangzhou become an even more important market for the Group. Accompanied by the management team of Hangzhou Project Company, analysts visited China SCE's first delivered residential project The Royal Green in Hangzhou; then learned about the recent sale performance of villas and high-rise residential projects in Parkview Bay and Cloudview Palace. The Hangzhou General Manager also explained in details the planning of the newly acquired mixed-use land of Pengbu project in Jianggan District of Hangzhou.

The second day started with the introduction by the representative of Shanghai Hongqiao CBD Administration Committee on the master planning of Hongqiao CBD. The team then visited Shanghai • SCE Plaza, the Headquarters of China SCE. They visited the corporate culture exhibition hall as well as the latest development of Shanghai • SCE Plaza, followed by a meeting with the senior management team of the Group including Mr. Wong Chiu Yeung, Chairman and CEO, Mr. Huang Youquan, Executive Director and Executive President, Mr. Wong Lun, Executive Director and Assistant President, and Mr. Zhang Wei, General Manager of the Land Acquisition Department. Mr. Wong Chiu Yeung, the Chairman of the Group, introduced the Group's dual-track strategy and conducted in-depth communications regarding the Group's development strategy, shopping centre business model, land acquisition strategy and financial positions. After lunch, accompanied by Mr. Keith Chan, CEO of Funlive, analysts visited the long-term rental apartment project - Funlive SCE Plaza Residence, and learnt more about the business model and the latest development of Funlive.

China SCE will continue to organising relevant activities in order to enhance the Group's visibility and interaction with investment community, to deepen investors' understandings.



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