

2019 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, 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.

Latest News



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Sales Overview

In July 2019, the Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB5.189 billion and a contracted sales area of 425,375 sq.m., representing a year-on-year increase of 21% and 34% respectively. The average selling price for July 2019 was RMB12,199 per sq.m.

For the seven months ended 31 July 2019, the Group together with its joint ventures and associates achieved an accumulated contracted sales amount of approximately RMB42.217 billion and an accumulated contracted sales area of 3,392,065 sq.m., representing a year-on-year increase of 68% and 73%, respectively. The average selling price for the seven months ended 31 July 2019 was RMB12,466 per sq.m.

Land Bank

As at 31 July 2019, the Group together with its joint ventures and associates owned a land bank with an aggregate planned GFA of approximately 29.47 million sq.m.

Details of newly acquired land parcel in July 2019 is 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	100%	Residential and Commercial	193,661	484,060	1,050



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Successfully issued USD500,000,000 Senior Notes

On 10 July 2019, China SCE and the subsidiary guarantors entered into the purchase agreement with HSBC, Bank of America Merrill Lynch, Morgan Stanley and UBS in connection with the issue of the senior notes in the aggregate principal amount of USD500,000,000. The senior notes will expire in 2023 with a coupon rate of 7.25%. The net proceeds of the senior notes issued will be used by the Company to mainly refinance certain of its existing offshore indebtedness.

J.P. Morgan Initiates Coverage on China SCE with an Overweight Rating and Target Price at HKD5.5 Per Share

J.P. Morgan believes that since China SCE has moved its headquarters to Shanghai in 2017 and started to adopt the strategy of actively forming JV partnerships in land acquisition, 2019 will be a breakthrough year as J.P. Morgan expects China SCE's contracted sales growth will be among the strongest in the sector, yet gearing is well controlled at a sector-average level.

J.P. Morgan forecasts China SCE will see a mild 15-20% Y/Y earnings growth in 1H19 results, while forecast core net profit to see accelerated growth in FY19 (+33% Y/Y), and even faster growth in FY20(+41% Y/Y). Should sales momentum continue to be strong, J.P. Morgan believes there will also be consensus upgrades to FY21E earnings.

J.P. Morgan points out since the IPO in 2010, China SCE's share price has mostly underperformed peers, but this is set to change this year amid a strong breakout of sales. Currently China SCE is trading at 4.2x12-month forward P/E, which J.P. Morgan sees as attractive for a developer with proven financial discipline. So J.P. Morgan initiates coverage on China SCE with an Overweight Rating and a 12-month target price at HKD5.5 per share.

China SCE Included in "Fortune China 500" in 2019

On 10 July 2019, Fortune Magazine released the list of China's Top 500 companies in 2019. China SCE ranked 442nd was on the list for 4 consecutive years. The honor serves as a strong proof of the corporate strength.

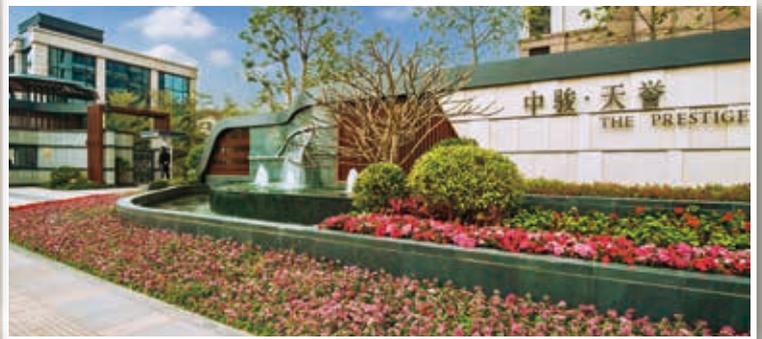
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