中駿集团

CHINA SCE GROUP HOLDINGS LIMITED
中駿集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1966)
(Debt Stock Codes: 5948, 40628, 40444, 40590)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Contracted sales amount was approximately RMB27,774,934,000.
- Revenue was approximately RMB20,960,968,000.
- Gross profit margin was approximately 12.6%.
- Loss attributable to owners of the parent was approximately RMB7,991,050,000.

The board (the "**Board**") of directors (the "**Directors**") of China SCE Group Holdings Limited (the "**Company**" or "**China SCE**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (restated)
REVENUE	*5*	**20,960,968**	26,705,112
Cost of sales		**(18,329,976)**	(21,294,804)
Gross profit		**2,630,992**	5,410,308
Other income and gains	*5*	**660,818**	820,387
Changes in fair value of investment properties, net		**(3,754,084)**	(25,422)
Selling and marketing expenses		**(802,420)**	(1,239,106)
Administrative expenses		**(1,710,180)**	(1,781,374)
Write down to net realisable value of completed properties held for sale and properties under development		**(2,951,850)**	(989,975)
Other expenses		**(877,699)**	–
Finance costs	*6*	**(1,492,343)**	(921,124)
Share of profits and losses of:			
Joint ventures		**(191,285)**	(434,972)
Associates		**276,431**	(19,294)
PROFIT/(LOSS) BEFORE TAX	*7*	**(8,211,620)**	819,428
Income tax expense	*8*	**(189,504)**	(1,020,120)
LOSS FOR THE YEAR		**(8,401,124)**	(200,692)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
		(restated)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of joint ventures	**407**	7,865
Exchange differences on translation of foreign operations	**(506,437)**	(1,630,309)
Exchange fluctuation reserve released upon disposal of subsidiaries	**6,355**	(31,372)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(499,675)**	(1,653,816)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(499,675)**	(1,653,816)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(8,900,799)**	(1,854,508)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
Year ended 31 December 2023

	Note	**2023** *RMB'000*	2022 *RMB'000* (restated)
Profit/(loss) attributable to:			
Owners of the parent		**(7,991,050)**	24,544
Non-controlling interests		**(410,074)**	(225,236)
		(8,401,124)	(200,692)
Total comprehensive loss attributable to:			
Owners of the parent		**(8,452,222)**	(1,550,790)
Non-controlling interests		**(448,577)**	(303,718)
		(8,900,799)	(1,854,508)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**RMB(189.2) cents**	RMB0.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Note	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**725,257**	775,742
Investment properties		**33,880,100**	39,216,242
Intangible asset		**2,486**	2,653
Properties under development		**8,625,734**	10,169,792
Contract in progress		**153,627**	129,132
Investments in joint ventures		**3,118,969**	7,247,429
Investments in associates		**864,167**	1,251,635
Prepayments and other assets		**705,926**	814,465
Deferred tax assets		**1,150,968**	1,173,522
Total non-current assets		**49,227,234**	60,780,612
CURRENT ASSETS			
Properties under development		**83,747,682**	92,717,968
Completed properties held for sale		**6,253,504**	4,797,777
Trade receivables	*11*	**198,330**	466,350
Prepayments, other receivables and other assets		**15,062,723**	13,315,135
Financial assets at fair value through profit or loss		**344,135**	431,973
Due from related parties		**4,065,231**	3,914,425
Prepaid income tax		**2,541,922**	2,523,770
Restricted cash		**1,564,401**	3,866,093
Pledged deposits		**–**	2,031,012
Cash and cash equivalents		**4,884,525**	9,118,953
Total current assets		**118,662,453**	133,183,456

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2023

	Note	2023 RMB'000	2022 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	12	**11,650,518**	10,821,534
Other payables and accruals		**8,807,854**	9,186,882
Contract liabilities		**80,838,861**	82,443,359
Interest-bearing bank and other borrowings		**9,817,976**	10,742,959
Senior notes and domestic bonds		**13,613,559**	3,959,846
Due to related parties		**2,588,416**	2,583,308
Tax payable		**4,215,624**	3,913,001
Total current liabilities		**131,532,808**	123,650,889
NET CURRENT ASSETS/(LIABILITIES)		**(12,870,355)**	9,532,567
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,356,879**	70,313,179
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**10,275,584**	16,252,153
Senior notes and domestic bonds		**2,200,000**	13,202,190
Lease liabilities		**6,381**	17,729
Deferred tax liabilities		**3,303,940**	4,137,252
Provision for major overhauls		**88,648**	78,614
Total non-current liabilities		**15,874,553**	33,687,938
Net assets		**20,482,326**	36,625,241
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**365,138**	365,138
Reserves		**9,358,611**	19,345,551
		9,723,749	19,710,689
Non-controlling interests		**10,758,577**	16,914,552
Total equity		**20,482,326**	36,625,241

NOTES:

1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The addresses of the principal place of business of the Company in the People's Republic of China (the "**PRC**") and Hong Kong are SCE Tower, No. 2, Lane 1688, Shenchang Road, Hongqiao Business District, Shanghai, China; and Room 2801, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong, respectively.

The Group was principally engaged in property development, property investment, property management and project management in the PRC during the year.

In the opinion of the Directors, the ultimate holding company of the Company is Newup Holdings Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern basis

The Group recorded a loss attributable to owners of the parent of approximately RMB7.991 billion for the year ended 31 December 2023. As at 31 December 2023, the interest-bearing bank and other borrowings, senior notes and domestic bonds of the Group amounted to approximately RMB35.907 billion, while its cash and cash equivalents amounted to approximately RMB4.885 billion. In October 2023, the Company did not make payment on an instalment of principal and interest amounting to approximately US$61 million which had fallen due under its syndicated loan agreement entered into on 22 March 2021 (the "**Event**"). The Event has resulted in events of default pursuant to the respective terms and conditions of the Group's offshore senior notes and offshore interest-bearing bank and other borrowings. As at 31 December 2023, the Group's defaulted or cross-defaulted principal and accrued interest of certain offshore senior notes and offshore interest-bearing bank and other borrowings amounted to approximately RMB17.258 billion and RMB694 million respectively.

The above conditions indicate the existence of a material uncertainty which casts significant doubt over the Group's ability to continue as a going concern. In view of such circumstances, certain plans and measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but not limited to, the following:

(a) The financial adviser appointed by the Company will assist in evaluating the Group's current capital structure and liquidity and exploring a holistic solution to managing the Group's overall offshore indebtedness in order to ease the prevailing liquidity pressure faced by the Group;

(b) The Company will continue to communicate proactively with its offshore creditors, especially noteholders and banks, to identify possible debt restructuring plans;

(c) The Group will continue to seek re-financing or extension of its existing bank and other borrowings and secure new sources of financing;

(d) The Group will timely adjust its sales strategy to accelerate pre-sales and sales of properties and speed up collection of sales proceeds; and

(e) The Group will continue to search for potential buyers for disposal of certain investment properties and non-core businesses in order to generate additional cash inflows.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2023. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. In the opinion of the Directors whether the Group will be able to continue as a going concern would mainly depend upon the following:

(a) successfully completing the holistic restructuring of its offshore indebtedness;

(b) successfully negotiating with banks and financial institutions on the re-financing or extension of its bank and other borrowings and securing new sources of financing;

(c) successfully implementing sales strategy to accelerate pre-sales and sales of properties and speed up collection of sales proceeds; and

(d) successfully disposing of certain investment properties and non-core businesses.

Should the Group be unable to achieve the abovementioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

HKFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. HKFRS 17 replaces HKFRS 4 *Insurance Contracts*. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and

- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

As the Group did not have contracts within the scope of HKFRS 17, the new standard had no impact on the Group's financial statements.

Amendments to HKFRS 17 include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to HKFRS 17. In addition, the amendments defer the effective date of HKFRS 17 to annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. As a result of the deferral, the HKICPA issued the amendments to HKFRS 4 *Extension of the Temporary Exemption from HKFRS* 9 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023. The amendments had no impact on the Group's financial statements as the Group did not have contracts within the scope of HKFRS 17.

Amendment to HKFRS 17 is a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17, which helps to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and improve the usefulness of comparative information for users of financial statements. An entity that chooses to apply the transition option set out in this amendment shall apply it on initial application of HKFRS 17. The amendments had no impact on the Group's financial statements as the Group did not have contracts within the scope of HKFRS 17.

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. These amendments had no impact on the Group's financial statements as there were no transactions fallen within the scope of these amendments on or after the beginning of the earliest period presented.

Amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management, land development and project management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment, land development segment and project management segment are combined with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated loss and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 5 below.

The Group's revenue from external customers is derived solely from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

During the years ended 31 December 2023 and 31 December 2022, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of properties	**19,095,549**	24,739,180
Property management fees	**1,164,184**	989,751
Land development income	**–**	201,893
Project management income	**171,555**	260,618
Subtotal	**20,431,288**	26,191,442
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**26,782**	14,888
Other lease payments, including fixed payments	**502,898**	498,782
Subtotal	**529,680**	513,670
Total revenue	**20,960,968**	26,705,112

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**98,096**	118,906
Consultancy service income	**28,727**	19,057
Interest income on amounts due from joint ventures	**–**	23,073
Forfeiture income on deposits received	**25,993**	32,990
Gain on disposal of items of property and equipment, net	**1,471**	1,343
Fair value gain on remeasurement of investments in joint ventures	**–**	69,221
Gain on bargain purchase	**–**	38,578
Gain on disposal of subsidiaries	**169,817**	415,139
Gain on disposal of associates	**–**	4,745
Foreign exchange differences, net	**62,589**	–
Gain on repurchase of senior notes	**131,496**	–
Government grants	**33,672**	54,964
Others	**108,957**	42,371
Total other income and gains	**660,818**	820,387

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank and other borrowings, senior notes and domestic bonds	**2,703,922**	3,357,323
Interest on lease liabilities	**1,490**	20,162
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**3,950**	3,512
Total interest expense on financial liabilities not at fair value through profit or loss	**2,709,362**	3,380,997
Less: Interest capitalised	**(1,217,019)**	(2,459,873)
Total	**1,492,343**	921,124

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2023	2022
	RMB'000	*RMB'000*
Cost of properties sold	**17,475,980**	20,183,573
Cost of services provided	**853,829**	1,111,065
Depreciation of property and equipment	**80,427**	70,896
Depreciation of right-of-use assets	**22,145**	58,451
Amortisation of an intangible asset	**167**	166
Provision for major overhauls	**6,515**	6,236
Lease payments not included in the measurement of lease liabilities	**8,121**	5,089
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	**78**	130
Auditor's remuneration	**7,250**	7,954
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	**837,385**	927,537
Pension scheme contributions	**106,104**	194,992
Less: Amount capitalised	**(217,611)**	(312,260)
Total	**725,878**	810,269
Foreign exchange differences, net	**(62,589)**	70,271
Fair value loss on financial assets at fair value through profit or loss, net	**45,774**	55,995
Gain on disposal of subsidiaries, net	**(169,817)**	(415,139)
Loss on disposal of investment properties, net	**87,356**	442,020
Impairment losses recognised on investments in joint ventures and associates	**172,392**	–
Impairment losses recognised on amounts due from related parties	**705,307**	–
Fair value loss/(gain) on remeasurement of investments in joint ventures	**61,356**	(38,578)

8. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil).

	2023	2022
	RMB'000	*RMB'000*
Current charge for the year:		
PRC corporate income tax	**633,137**	1,217,326
PRC land appreciation tax	**90,588**	99,356
Under-provision in prior years, net:		
Mainland China	**136,626**	–
	860,351	1,316,682
Deferred tax credited for the year	**(670,847)**	(296,562)
Total tax charge for the year	**189,504**	1,020,120

9. DIVIDENDS

The Board has resolved not to declare any final dividend in respect of the year ended 31 December 2023 (2022: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 4,222,986,126 (2022: 4,222,437,098) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the year ended 31 December 2023 and for the year ended 31 December 2022 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share amount presented.

11. TRADE RECEIVABLES

The Group's trade receivables arise from the sales of properties, leasing of investment properties and provision of property management services.

Consideration in respect of the sales of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period of three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date and invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Current to 90 days	**113,710**	441,486
91 to 180 days	**60,892**	15,320
181 to 365 days	**20,956**	2,933
Over 365 days	**2,772**	6,611
Total	**198,330**	466,350

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**11,103,591**	10,409,743
Over 1 year	**546,927**	411,791
Total	**11,650,518**	10,821,534

The trade and bills payables are unsecured and non-interest-bearing and are normally settled based on the progress of construction.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to the going concern

We draw attention to note 2.1 to the consolidated financial statements which states that, the Group recorded a loss attributable to owners of the parent of approximately RMB7.991 billion for the year ended 31 December 2023 and, as of that date, the Group's net current liabilities amounted to approximately RMB12.870 billion. In October 2023, the Group had not made payment on an instalment of principal and interest amounting to approximately US$61 million which had fallen due under its syndicated loan agreement entered into on 22 March 2021, and as a result, pursuant to the respective terms and conditions, certain offshore senior notes and offshore interest-bearing bank and other borrowings became default. As at 31 December 2023, the interest-bearing bank and other borrowings, senior notes and domestic bonds of the Group amounted to approximately RMB35.907 billion, while its cash and cash equivalents amounted to approximately RMB4.885 billion.

This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company have considered the plans and measures being taken by the Group, which is disclosed at note 2.1 to the consolidated financial statements, are of the opinion that the Group would be able to continue as going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the plans and measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2023, the entire real estate industry has entered into an intensified adjustment period. The central and local governments in the PRC introduced a series of policies by relaxing control over the real estate market, including "the easing of rules allowing mortgage on second home to be treated in the same way as a first mortgage, as long as the buyer has paid off the first loan", lowering "first home" down payment ratio, and reducing "second home" loan interest rates. The policies aimed to improve its rigid needs but the results were unsatisfactory. In light of diminishing external demand, ongoing challenges in China's economic transformation, a declining birth rate, and an ageing population, the overall demand for real estate continues to encounter significant pressure.

In 2023, the sales of national commodity housing amounted to approximately RMB11,662.2 billion, representing a year-on-year decrease of 6.5%, of which the sales amount of residential housing decreased by 6.0% year-on-year. The sales area of national commodity housing amounted to approximately 1.12 billion sq.m., representing a year-on-year decrease of 8.5%, of which sales area of residential housing dropped by 8.2% year-on-year.

BUSINESS REVIEW

Contracted Sales

In 2023, the real estate market was still in a stage of bottoming out. The Group together with its joint ventures and associates achieved contracted sales amounted to approximately RMB27.775 billion for the year, including contracted sales of approximately 2.29 million sq.m., representing a year-on-year decrease of approximately 52.9% and 53.3%, respectively. The average property selling price during the year was RMB12,116 per sq.m.

In 2023, the Group together with its joint ventures and associates had an aggregate of over 90 projects for sales in over 50 cities, mainly in second-tier cities and core areas of third- and fourth-tier cities.

The contracted sales realised by the Group together with its joint ventures and associates during the year are set out below:

By City

City	**Contracted Sales Amount** *(RMB Million)*	**Contracted Sales Area** *(sq.m.)*	**Percentage of Contracted Sales Amount** *(%)*
Hangzhou	7,236	288,130	26.1
Beijing	3,974	132,450	14.3
Tianjin	1,896	142,266	6.8
Nanjing	1,443	142,816	5.2
Hefei	1,260	50,135	4.5
Kunming	1,028	135,574	3.7
Quanzhou	836	96,444	3.0
Suzhou	833	61,003	3.0
Chongqing	812	123,277	2.9
Shangrao	705	107,595	2.5
Fuzhou	682	29,979	2.5
Shangqiu	538	94,704	1.9
Shanghai	509	19,358	1.8
Xuzhou	427	36,453	1.5
Foshan	334	25,865	1.2
Other	5,262	806,388	19.1
Total	27,775	2,292,437	100.0

By Region

Region	**Contracted Sales Amount** *(RMB Million)*	**Contracted Sales Area** *(sq.m.)*	**Percentage of Contracted Sales Amount** *(%)*
Yangtze River Delta Economic Zone	12,425	693,094	44.7
Bohai Rim Economic Zone	6,948	443,293	25.0
Central Western Region	3,756	592,032	13.5
West Taiwan Strait Economic Zone	2,961	325,903	10.7
Guangdong — Hong Kong — Macao Greater Bay Area	1,685	238,115	6.1
Total	27,775	2,292,437	100.0

By City Tier

City Tier	Contracted Sales Amount *(RMB Million)*	Contracted Sales Area *(sq.m.)*	Percentage of Contracted Sales Amount *(%)*
First-tier cities	4,483	151,808	16.1
Second-tier cities	16,268	1,065,351	58.6
Third- and fourth-tier cities	7,024	1,075,278	25.3
Total	27,775	2,292,437	100.0

From the perspective of city distribution, contracted sales in Beijing and Hangzhou have been the most remarkable among the first-tier and second-tier cities, amounting to approximately RMB3.974 billion and RMB7.236 billion, respectively, accounting for approximately 14.3% and 26.1% of the total contracted sales amount. The contracted sales of the Yangtze River Delta Economic Zone and the Bohai Rim Economic Zone amounted to approximately RMB12.425 billion and RMB6.948 billion, respectively, accounting for approximately 44.7% and 25.0% of the total contracted sales amount.

Investment Properties

As at 31 December 2023, the Group together with its joint ventures and associates held 50 investment properties with a total gross floor area ("**GFA**") of approximately 3.90 million sq.m. (attributable GFA of approximately 3.53 million sq.m.), of which 25 investment properties had commenced operation. The Group together with its joint ventures and associates have investment properties in 26 cities, including Beijing, Shanghai, Xiamen, Hangzhou and Suzhou, among others, with its business covering shopping malls, long-term rental apartments, offices, commercial streets and shops.

Land Bank

As at 31 December 2023, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 29.90 million sq.m. (the aggregate planned GFA attributable to the Group was approximately 24.22 million sq.m.), distributing in 59 cities. From the perspective of geographic distribution, the land bank costs (excluding investment properties) of the Group together with its joint ventures and associates located in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the West Taiwan Strait Economic Zone, the Guangdong — Hong Kong — Macao Greater Bay Area and the Central Western Region accounted for approximately 33.7%, 20.7%, 22.2%, 8.2% and 15.2% respectively. Considering the tiers of cities, the land bank costs (excluding investment properties) of the Group together with its joint ventures and associates located in first-tier cities, second-tier cities as well as third- and fourth-tier cities accounted for approximately 11.3%, 55.6% and 33.1% respectively.

OUTLOOK

Looking forward to 2024, it is believed that China's real estate market will continue to bottom out. In order to mitigate real estate risks, it is expected that the central and local governments in the PRC will continue to optimise real estate control policies and introduce more financial policies to support the reasonable financing needs of high-quality real estate enterprises to accomplish delivery and completion tasks. While real estate control policies in core cities are anticipated to be further optimised, residents' willingness to purchase houses remains weak in light of China's macroeconomic uncertainty. Nevertheless, the Group expects that real estate demand in high-tier cities will provide support.

In 2024, the Group's primary focus will remain on "Ensuring Delivery, Cash Flow, and Operations". "Ensuring Delivery" is the Group's current biggest challenge and a key factor for survival. The Group will work with partners to break through resource barriers, promote project construction, strengthen construction quality monitoring, and ensure that properties are completed and delivered as scheduled. For marketing, the Group still adheres to "One Property One Strategy", by developing flexible sales strategies tailored to market competition within each project's segment to expedite the rollout of traffic projects, and enhance house sales collection. Meanwhile, the Group continues to implement effective measures to alleviate periodic liquidity issues, including actively promoting offshore debt restructuring, expediting negotiations with banks and financial institutions for refinancing or extensions, facilitating the sale of non-core assets, and optimising organisational structure and cost controls.

In the future, opportunities for residential development will persist in focused and strengthened areas with certainty. Moreover, the rapid development of existing asset operations and services augurs well for the future of the second-curve business. Nevertheless, stabilising the industry's recovery trend in the short term may prove challenging. It is only through courageous breakthroughs in the face of adversity, the accumulation of deeper operational capabilities, and the persistent promotion of transformation and development that China SCE can overcome these difficulties and embrace a new chapter in the upcoming cycle.

FINANCIAL REVIEW

Revenue

The Group mainly derives its revenue from sales of properties, property management fees, rental income, land development income and project management income.

The annual revenue decreased by approximately 21.5% from approximately RMB26,705,112,000 in 2022 to approximately RMB20,960,968,000 in 2023, which was mainly attributable to the decrease in revenue from sales of properties.

- *Sales of properties*

  Revenue from sales of properties decreased by approximately 22.8% from approximately RMB24,739,180,000 in 2022 to approximately RMB19,095,549,000 in 2023. Delivered area decreased by approximately 9.1% from 2,574,884 sq.m. in 2022 to 2,341,355 sq.m. in 2023. The average unit selling price decreased from approximately RMB9,608 per sq.m. in 2022 to approximately RMB8,156 per sq.m. in 2023.

- *Property management fees*

  Property management fees increased by approximately 17.6% from approximately RMB989,751,000 in 2022 to approximately RMB1,164,184,000 in 2023, which was mainly attributable to the increase in the number and floor area of properties under management.

- *Rental income*

  Rental income increased by approximately 3.1% from approximately RMB513,670,000 in 2022 to approximately RMB529,680,000 in 2023, which was mainly attributable to the contribution of rental income from newly opened shopping malls of SCE Funworld during the year.

- *Land development income*

  During 2022, the Group recognised land development income of approximately RMB201,893,000, which was the income from pre-construction and preparation work provided for certain land parcels in Nan'an, Quanzhou.

- *Project management income*

  The project management income decreased significantly by approximately 34.2% from approximately RMB260,618,000 in 2022 to approximately RMB171,555,000 in 2023, which was attributable to the decrease in project management service and other property related service income provided to joint ventures and associates.

Gross Profit

Gross profit decreased significantly by approximately 51.4% from approximately RMB5,410,308,000 in 2022 to approximately RMB2,630,992,000 in 2023. Gross profit margin decreased from approximately 20.3% in 2022 to approximately 12.6% in 2023. The decrease in gross profit margin was mainly attributable to declining property selling prices.

Changes in Fair Value of Investment Properties, Net

The fair value losses of investment properties increased significantly by approximately 147 times from approximately RMB25,422,000 in 2022 to approximately RMB3,754,084,000 in 2023. The fair value losses of investment properties during the year were mainly attributable to the effects of the decline in demand for commercial properties in the PRC.

Selling and Marketing Expenses

Selling and marketing expenses decreased significantly by approximately 35.2% from approximately RMB1,239,106,000 in 2022 to approximately RMB802,420,000 in 2023. The decrease in selling and marketing expenses was mainly attributable to the decrease in the number of projects for sale during the year.

Administrative Expenses

Administrative expenses decreased by approximately 4.0% from approximately RMB1,781,374,000 in 2022 to approximately RMB1,710,180,000 in 2023. The decrease in administrative expenses was mainly attributable to the implementation of stringent cost control measures.

Other expenses

During 2023, other expenses was approximately RMB877,699,000, which were attributable to the impairment losses for investments in joint ventures and associates and amount due from related parties.

Finance Costs

Finance costs increased significantly by approximately 62.0% from approximately RMB921,124,000 in 2022 to approximately RMB1,492,343,000 in 2023. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain borrowings were not used for project developments. Given the decrease in bank and other borrowings (including senior notes and domestic bonds), total interest expenses decreased from approximately RMB3,380,997,000 in 2022 to approximately RMB2,709,362,000 in 2023.

Income Tax Expense

Income tax expense decreased significantly by approximately 81.4% from approximately RMB1,020,120,000 in 2022 to approximately RMB189,504,000 in 2023. The decrease was mainly attributable to the combined effect of decrease in provision of income tax expense as a result of the decrease in revenue recognised and decrease in gross profit margin and deferred tax credit as a result of fair value losses of investment properties in 2023.

Profit/(Loss) Attributable to Owners of the Parent

Profit/(loss) attributable to owners of the parent changed from profit of approximately RMB24,544,000 in 2022 to loss of approximately RMB7,991,050,000 in 2023. The deterioration in operating results was primarily attributable to the effects of decline in demand in real estate market in the PRC in 2023: (1) decline in properties delivery had led to decrease in revenue recognised from sales of properties; (2) declining property selling prices had resulted in lower gross profit margin and increase in provision of impairment for property projects; and (3) decline in demand for commercial properties had led to fair value loss of investment properties.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2023, the Group's cash and bank balances were denominated in different currencies as set out below:

	2023	2022
	RMB'000	*RMB'000*
Renminbi	**6,405,803**	14,855,496
Hong Kong dollars	**26,673**	77,676
US dollars	**16,450**	82,886
Total cash and bank balances	**6,448,926**	15,016,058

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain bills issued from banks in the PRC. As at 31 December 2023, the amount of restricted cash was approximately RMB1,564,401,000 (31 December 2022: approximately RMB3,866,093,000). As at 31 December 2022, the amount of pledged deposits was approximately RMB2,031,012,000.

Borrowings

The maturity profile of the borrowings of the Group as at 31 December 2023 was as follows:

	2023	2022
	RMB'000	*RMB'000*
Bank and other borrowings:		
Within one year or on demand	**9,817,976**	10,742,959
In the second year	**6,347,705**	11,063,555
In the third to fifth years, inclusive	**2,576,084**	3,819,267
Beyond fifth year	**1,351,795**	1,369,331
	20,093,560	26,995,112
Senior notes and domestic bonds:		
Within one year or on demand	**13,613,559**	3,959,846
In the second year	**–**	7,418,104
In the third to fifth years, inclusive	**2,200,000**	5,784,086
	15,813,559	17,162,036
Total borrowings	**35,907,119**	44,157,148

The borrowings were denominated in different currencies as set out below:

	2023	2022
	RMB'000	*RMB'000*
Bank and other borrowings:		
Renminbi	**15,378,120**	21,655,224
Hong Kong dollars	**1,147,471**	1,127,006
US dollars	**3,567,969**	4,212,882
	20,093,560	26,995,112
Senior notes and domestic bonds:		
Renminbi	**3,270,688**	1,610,688
US dollars	**12,542,871**	15,551,348
	15,813,559	17,162,036
Total borrowings	**35,907,119**	44,157,148

Gearing Ratio

The net gearing ratio was calculated by dividing the net debt (including bank and other borrowings, senior notes and domestic bonds after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 31 December 2023, the net gearing ratio was approximately 143.8% (31 December 2022: approximately 79.6%).

Exchange Rate Fluctuation Exposures

The Group's businesses are located in the PRC and substantially all of the Group's revenue and operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 31 December 2023, except for certain bank deposits, financial assets at fair value through profit or loss, bank and other borrowings and senior notes which were denominated in foreign currencies, exchange rate changes of RMB against foreign currencies will not have material adverse effect on the results of operations of the Group.

No foreign currency hedging arrangement was made as at 31 December 2023. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**Annual General Meeting**") of the Company will be held on Friday, 31 May 2024. Notice of the Annual General Meeting will be issued to the shareholders of the Company in accordance with the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in due course.

DIVIDEND

The Board has resolved not to declare any final dividend in respect of the year ended 31 December 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 31 May 2024, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, both days inclusive, during which no transfer of shares can be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 27 May 2024.

AUDIT COMMITTEE

The Company established an audit committee of the Board (the "**Audit Committee**") on 6 January 2010 in compliance with rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman, and Mr. Dai Yiyi and Mr. Mao Zhenhua as members. Mr. Ting Leung Huel Stephen, the chairman of the Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of rule 3.10(2) of the Listing Rules.

The Audit Committee has reviewed the accounting policies adopted by the Group, the consolidated financial statements of the Group for the year ended 31 December 2023 and this annual results announcement.

SCOPE OF WORK OF PRISM HONG KONG AND SHANGHAI LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's external auditor, Prism Hong Kong and Shanghai Limited ("**Prism**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Prism in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Prism on this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules as its code of conduct for securities transactions by the Directors. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have strictly complied with the required standards set out in the Model Code during the year under review.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Between 9 March 2023 and 29 March 2023, the Company had made partial repurchases in a total principal amount of US$206,500,000 of the senior notes due on 19 April 2023 with an aggregate principal amount of US$500,000,000 and a coupon rate of 7.25% (the "**Repurchased Notes**"), representing 41.3% of the aggregate principal amount of the senior notes due on 19 April 2023 originally issued. The Repurchased Notes have been cancelled in accordance with the terms and conditions of the senior notes due on 19 April 2023.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

During the year ended 31 December 2023, save as disclosed below, the Company and the Board had been in compliance with the code provisions set out in the Corporate Governance Code effective during the year (the "**CG Code**") contained in Part 2 of Appendix C1 (formerly known as Appendix 14) to the Listing Rules.

Under provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year, Mr. Wong Chiu Yeung performed his duties as both the chairman and the chief executive officer of the Company. The Board believes that the same individual serving as chairman and chief executive officer is beneficial to the consistency and efficiency in execution of business plans and decision-making of the Company.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND OF THE COMPANY

This results announcement of the Company for the year ended 31 December 2023 is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.sce-re.com.

By order of the Board
China SCE Group Holdings Limited
Wong Chiu Yeung
Chairman

Hong Kong, China, 27 March 2024

As at the date of this announcement, the executive Directors are Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok, Mr. Huang Youquan and Mr. Wong Lun, and the independent non-executive Directors are Mr. Ting Leung Huel Stephen, Mr. Dai Yiyi and Mr. Mao Zhenhua.