中駿置业

CHINA SCE PROPERTY HOLDINGS LIMITED

中 駿 置 業 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1966)

Results Announcement for the year ended 31 December 2009

Financial Highlights

- Revenue rose 77.1% to RMB586 million in 2009.
- Gross profit rose 129.7% to RMB294 million.
- Profit attributable to owners of the parent rose 121.7% to RMB373 million.
- Basic earnings per share amounted to RMB17.9 cents.
- Approximately 1.45 million sq. metres of land bank was added during the year. As at 31 December 2009, the Group, together with its jointhy controlled entities and associates, had an aggregate of 6.87 million sq. metres of total gross floor area and planned gross floor area.
- Net debt ratio decreased from 211.0% of 2008 to 64.9% of 2009.

The board of directors ("Board") of China SCE Property Holdings Limited (the "Company") is pleased to announce the financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Notes	**2009** *RMB'000*	**2008** *RMB'000*
REVENUE	5	586,463	331,179
Cost of sales		(292,804)	(203,335)
Gross profit		293,659	127,844
Other income and gains	5	16,039	6,962
Changes in fair value of investment properties		371,613	211,366
Selling and marketing expenses		(38,955)	(27,143)
Administrative expenses		(91,197)	(64,883)
Other expenses		(137)	(247)
Finance costs	6	(5,642)	(3,324)
Share of profits and losses of:			
Jointly-controlled entities		(1,598)	(4,697)
Associates		(3,095)	(4,413)
PROFIT BEFORE TAX	7	540,687	241,465
Income tax expense	8	(178,996)	(75,606)
PROFIT FOR THE YEAR		361,691	165,859
OTHER COMPREHENSIVE INCOME/(LOSS):			
Share of other comprehensive income of jointly-controlled entities		12	649
Exchange differences on translation of foreign operations		(5,793)	34,637
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(5,781)	35,286
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		355,910	201,145

	Notes	2009	2008
		RMB'000	*RMB'000*
Profit/(loss) attributable to:			
Owners of the parent		373,434	168,458
Minority interests		(11,743)	(2,599)
		361,691	165,859
Total comprehensive income/(loss) attributable to:			
Owners of the parent		367,653	199,135
Minority interests		(11,743)	2,010
		355,910	201,145
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted		RMB17.9 cents	RMB8.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	**2009**	**2008**
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property and equipment		76,279	71,500
Investment properties		1,296,000	882,000
Prepaid land lease payments		2,170,371	760,388
Intangible asset		4,819	—
Properties under development		354,620	308,496
Interests in jointly-controlled entities		156,218	123,194
Interests in associates		6,128	11,489
Prepayments		154,976	508,040
Deferred tax assets		82,449	20,808
Total non-current assets		4,301,860	2,685,915
CURRENT ASSETS			
Properties under development		2,052,276	1,370,435
Completed properties held for sale		1,131,664	803,671
Trade receivables	11	22,144	4,597
Prepayments, deposits and other receivables		326,140	142,639
Due from related parties		172,809	126,069
Tax recoverable		93,796	90,353
Restricted cash		115,325	83,410
Cash and cash equivalents		489,480	59,679
Total current assets		4,403,634	2,680,853
CURRENT LIABILITIES			
Trade payables	12	307,534	436,578
Receipts in advance		2,994,693	1,898,011
Other payables and accruals		487,097	618,142
Interest-bearing bank and other borrowings		567,037	1,009,425
Due to related parties		231,266	368,440
Tax payable		74,075	29,048

	Notes	2009	2008
		RMB'000	*RMB'000*
Total current liabilities		4,661,702	4,359,644
NET CURRENT LIABILITIES		(258,068)	(1,678,791)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,043,792	1,007,124
NON-CURRENT LIABILITIES			
Other payables		2,240	2,479
Interest-bearing bank and other borrowings		1,539,028	344,493
Deferred tax liabilities		186,498	86,225
Provision for major overhauls		3,800	—
Total non-current liabilities		1,731,566	433,197
Net assets		2,312,226	573,927
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	11	10
Reserves		1,509,364	457,493
		1,509,375	457,503
Minority interests		802,851	116,424
Total equity		2,312,226	573,927

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 Group was principally engaged in property development, property investment and property management in the People's Republic of China (the "PRC") during the year.

The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 February 2010.

In the opinion of the directors of the Company, 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, 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.

As at 31 December 2009, the current liabilities of the Group exceeded its current assets by approximately RMB258 million. The Group finances its property development projects by obtaining credit terms from contractors, proceeds from pre-sales of its on-going property development projects and interest-bearing bank and other borrowings.

As at 31 December 2009, the Group had unutilised credit facilities from banks of approximately RMB11,155 million. Moreover, the Group has successfully obtained approximately RMB270 million interest-bearing bank borrowings subsequent to the year end. In addition, on 5 February 2010, the Company completed its global offering of 600 million ordinary shares of HK$0.10 each at an offer price of HK$2.6 per share and raised total net proceeds of approximately RMB1,322 million.

The directors of the Company are of the opinion that, taking into account the presently available banking facilities, the net proceeds from the Company's global offering, the continual renewal of bank loans upon maturity and internal financial resources of the Group (mainly proceeds from the pre-sale of its ongoing property development projects), the Group has sufficient working capital for its present requirements. Hence, the financial statements have been prepared on a going concern basis.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*[1]
HK (IFRIC)-Int14 Amendments	Amendments to HK(IFRIC)-Int14 *Prepayments of a Minimum Funding Requirment*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised), HKFRS 9 and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment and property 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 combines with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

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

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 year, 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

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, and other sales related taxes from the sale of properties; gross rental income received and receivable from investment properties, and property management fee income, net of business tax, received and receivable during the year.

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

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Sale of properties	564,993	325,217
Property management fees	8,737	4,240
Gross rental income	12,733	1,722
	586,463	331,179
Other income and gains		
Bank interest income	2,778	1,741
Interest income on other receivables	—	403
Excess over the cost of a business combination	—	4,527
Foreign exchange gains, net	7,523	—
Others	5,738	291
	16,039	6,962

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2009	2008
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	78,714	66,557
Interest on bank loans repayable beyond five years	847	1,158
Interest on loans from companies controlled by Mr. Wong Chiu Yeung, a director of the Company	25,021	16,890
Increase in a discounted amount of provision for major overhauls arising from the passage of time	32	—
Total interest expense on financial liabilities not at fair value through profit or loss	104,614	84,605
Less: Interest capitalised	(98,972)	(81,281)
	5,642	3,324

7. PROFIT BEFORE TAX

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

	2009	**2008**
	RMB'000	*RMB'000*
Cost of properties sold	284,081	199,488
Cost of services provided	8,723	3,847
Depreciation	7,157	5,272
Amortisation of prepaid land lease payments	22,240	11,423
Amortisation of an intagible asset	42	—
Provision for major overhauls	3,800	—
Minimum lease payments under operating leases for land and buildings	2,853	2,871
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	217	13
Auditors' remuneration	1,851	666
Employee benefit expense (including directors' remuneration):		
Salaries and other staff costs	31,480	23,965
Pension scheme contributions	1,461	700
Less: Amount capitalised	(5,562)	(10,377)
	27,379	14,288
Foreign exchange differences, net	(7,523)	1,263
Write-off of items of property and equipment	11	89
Loss on disposal of items of property and equipment	126	—
Loss on disposal of a subsidiary	—	158

8. INCOME TAX

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 (2008: Nil). 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.

The analysis of the income tax for the year are as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Group:		
Current charge for the year:		
PRC corporate income tax	49,934	18,952
PRC land appreciation tax	55,368	16,653
	105,302	35,605
Deferred	73,694	40,001
Total tax charge for the year	178,996	75,606

9. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the current year (2008: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 2,087,406,027 (2008: 2,000,000,000) in issue during the year, as adjusted retrospectively to reflect the capitalisation issue after the reporting period.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

11. TRADE RECEIVABLES

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

Consideration in respect 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 for three months to the lessees of the Group's investment properties, extending up to six months for major customers.

The aged analysis of the trade receivables that are not considered to be impaired are as follows:

	Group	
	2009	**2008**
	RMB'000	*RMB'000*
Neither past due nor impaired	17,281	—
1 to 6 months past due	2,319	220
7 to 12 months past due	—	3,949
Over 1 year past due	2,544	428
	22,144	4,597

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	Group	
	2009	**2008**
	RMB'000	*RMB'000*
Within 1 year	299,075	351,960
Over 1 year	8,459	84,618
	307,534	436,578

13. SHARE CAPITAL

Shares

	2009	**2008**
	HK$	*HK$*
Authorised:		
3,000,000 (2008: 3,000,000) ordinary shares of HK$0.1 each	300,000	300,000
Issued and fully paid:		
112,660 (2008: 100,000) ordinary shares of HK$0.1 each	11,266	10,000
Equivalent to RMB'000	11	10

On 21 August 2009, the Company entered into a subscription agreement (the "Subscription Agreement") with certain investors for the subscription of 12,660 ordinary shares of the Company, representing 11.237% of the entire share capital of the Company on a fully diluted basis immediately following the completion of the Subscription Agreement, for an aggregate consideration of approximately HK$775 million (equivalent to approximately RMB683 million). The Subscription Agreement was completed on 28 August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In response to the global financial crisis in 2008, the central government adopted active macroeconomic control measures decisively. Such measures realised extraordinary economic effectiveness in 2009. In 2009, China completed the planned economic growth target formulated at the beginning of the year, Gross Domestic Product (GDP) grew by 8.7%, and was among the first to move from the shadow of the financial crisis. During 2009, the central government increased the credit facilities and policy support for the real estate industry which accelerated the recovery of the real estate industry. The Group monitored the trend of industry developments closely, captured the opportunities for development strategically and achieved good results in 2009.

Contract sales

During the full year of 2009, the Group, together with its jointly-controlled entities and associates, realised contract sales area of approximately 387,323 sq.m. and contract sales amount of approximately RMB3,198 million. The details were set out below.

	Statistics of contract sales in 2009	
City	**Contract sales area (sq.m.)**	**Contract sales amount (RMB million)**
Quanzhou	183,494	1,419
Fuzhou	161,757	941
Beijing	21,417	649
Xiamen	20,655	189
Total	387,323	3,198

As at 31 December 2009, contract sales amount of RMB4,820 million (including RMB1,480 million from jointly-controlled entities and associates) was contracted but had not been recognised as sales revenue.

Project development

During the year, the Group, together with its jointly-controlled entities and associates, had newly commenced construction area of 584,482 sq.m., completed construction area of 170,926 sq.m. and projects under development (including projects under construction and projects completed during the year) with an aggregated total gross floor area of 1,236,669 sq.m. The details were set out below.

Projects commenced in 2009

City	Name of Project	Type of property	Total GFA (sq.m.)	Interest attributable to the Group (%)
Quanzhou	Sunshine Town (Phase 1) (Blocks 1-8)	Residential properties	60,063	100
Quanzhou	Fortune Plaza • 裕景灣	Residential properties	300,397	58
Quanzhou	Sapphire Peninsula (Phase 1)	Residential properties	141,213	100
Linfen	SCE International Community (Phase 1)	Residential properties	82,809	60
		Total:	584,482	

Projects completed in 2009

City	Name of Project	Type of property	Total GFA (sq.m.)	Interest attributable to the Group (%)
Quanzhou	Noble Mansion	Residential properties	66,860	30
Xiamen	Seashore Suite No.1	Residential properties	104,066	100
		Total:	170,926	

Projects under development in 2009

City	Name of Project	Type of property	Total GFA (sq.m.)	Interest attributable to the Group (%)
Quanzhou	Sapphire Uptown	Residential properties	105,623	51
Quanzhou	Sunshine Town (Phase 1) (Blocks 1-8)	Residential properties	60,063	100
Quanzhou	Fortune Plaza • 裕景灣	Residential properties	300,397	58
Quanzhou	West Lake No.1	Residential properties	198,782	100
Quanzhou	Noble Mansion	Residential properties	66,860	30
Quanzhou	Sapphire Peninsula (Phase 1)	Residential properties	141,213	100
Xiamen	Seashore Suite No.1	Residential properties	104,066	100
Fuzhou	Wuyi Oasis (Phase 3)	Residential properties	176,856	50
Linfen	SCE International Community (Phase 1)	Residential properties	82,809	60
		Total:	1,236,669	

Land bank

As at 31 December 2009, the Group, together with its jointly-controlled entities and associates, owned a land bank with an aggregated total gross floor area and planned gross floor area of approximately 6.87 million sq.m., of which the attributable portion was approximately 4.82 million sq.m. New additions to land bank during the year was approximately 1.45 million sq.m. In terms of geographical distribution, approximately 84% of the Group's land bank was located in Fujian Province (including Xiamen, Quanzhou, Zhangzhou and Fuzhou), the remaining 16% was distributed in Beijing, Shanxi Province, Lifen City and Shenzhen City in Guangdong Province. We believe the existing land bank will satisfy our development and construction needs in the next three to five years.

We believe the risks that may arise from cyclical fluctuations of the market can be diversified effectively by improving the strategic distribution of land. In addition to further improving the Company's market leading position in Fujian Province, the Company will continue to seek new development opportunities in the Bohai Economic Rim and Pearl River Delta Economic Zone to expand its land bank.

Business outlook

With exceptionally high rate of increases in the prices of commodity housing in 2009, the central government launched a series of measures at the end of 2009 and at the beginning of 2010 to adjust and control the real estate market. We firmly believe the objectives of these measures were to supervise and regulate unreasonable behaviour in the real estate industry and to guide the industry into more healthy and stable development.

For project development, the Company will further implement the nationwide development strategy. We shall continue to increase the pace of development by leveraging on the successful past experience and to launch new products continuously to satisfy market demand. In 2010, the construction area planned for commencement will be approximately 955,817 sq.m., and the construction area planned for completion will be approximately 572,755 sq.m. The details are set out as follows:

Projects planned for commencement in 2010

City	Name of Project	Type of property	Total GFA (sq.m.)	Interest attributable to the Group (%)
Quanzhou	Fortune Plaza • 雍景台	Residential properties	249,436	58
Quanzhou	Purple Lake International (Phase 1)	Residential properties	62,217	49

City	Name of Project	Type of property	Total GFA (sq.m.)	Interest attributable to the Group (%)
Xiamen	The Regent	Residential properties	85,192	60
Zhangzhou	Sapphire Boomtown (Phase 1)	Residential properties	148,578	80
Linfen	SCE International Community (Phase 2)	Residential properties	257,760	60
Quanzhou	Sunshine Town (Phase 1) (Blocks 9-17)	Residential properties	152,634	100
		Total:	955,817	

Projects planned for completion in 2010

City	Name of Project	Type of property	Total GFA (sq.m.)	Interest attributable to the Group (%)
Quanzhou	West Lake No. 1	Residential properties	198,782	100
Quanzhou	Fortune Plaza • 雍景台 (Villa portion)	Residential properties	31,431	58
Quanzhou	Sunshine Town (Phase 1) (Blocks 1-8)	Residential properties	60,063	100
Quanzhou	Sapphire Uptown	Residential properties	105,623	51
Fuzhou	Wuyi Oasis (Phase 3)	Residential properties	176,856	50
		Total:	572,755	

Facing the market opportunities and challenges, the Group will continue to focus on the following key areas to ensure the implementation of various operational tasks and realisation of benchmark performance.

Business expansion

The Group will seize the development opportunities of Western Taiwan Strait Economic Zone and continue to refine our operations in Fujian to maintain our leading position in the industry in Fujian Province. Meanwhile, we also plan to make use of our experience in these regions to capture the right opportunities for expanding our business in the regions of China with relatively fast economic growth such as the Bohai Economic Rim and the Pearl River Delta Economic Zone.

Upholding quality

While expanding the scale of business steadily, the Group will make attaching importance to and the enhancement of product quality as the top priority task as we always did. We believe excellent product quality forms the basis for gaining customer confidence as well as the fundamental element to enhance the bargaining power of the product and create the maximum value for shareholders.

Optimisation of capital structure

The Group will fully utilise the international financing platform available from our successful listing to optimise our capital and financing structure to secure sufficient financing for our future property development projects through a continuation of increasing retained earnings and gaining access to the capital and debt markets.

Year 2010 is the Company's first year of listing in Hong Kong. The Company will implement its financial management strategy prudently to maintain gearing ratio and cash flows at healthy and reasonable levels. Meanwhile, the Company will endeavour to disclose its financial conditions in a public and transparent manner to facilitate the shareholders to understand the real-time conditions of the Company conveniently and quickly.

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly includes property sales, rental income and property management income.

The annual revenue increased by 77.1% from RMB331 million in 2008 to RMB586 million in 2009.

- **Sale of properties**

  Property sales increased by 73.7% from RMB325 million in 2008 to RMB565 million in 2009, which was mainly attributable to the delivery of part of the properties in Beijing World City project in 2009. Since this project was located in the central business district of Beijing and the property was sold together with luxurious interior renovations, the average selling price reached as RMB26,845 per sq.m.

- **Rental income**

  Rental income increased by 639.4% from RMB1,722,000 in 2008 to RMB12,733,000 in 2009, which was mainly attributable to the leasing of certain portion of retail shops in the Beijing World City commenced in the second half of 2009.

- **Property management fee**

  Property management income increased by 106.1% from RMB4,240,000 in 2008 to RMB8,737,000 in 2009, which was mainly attributable to the increase in the number and floor area of properties under management.

Cost of sales

Cost of sales increased by 44.0% from RMB203 million in 2008 to RMB293 million in 2009. The increase in cost of sales was mainly attributable to the relatively higher land acquisition cost per sq.m. of the gross floor area of the Beijing World City for its prime location in the central business district of Beijing and its luxurious interior renovations.

Gross profit

Gross profit increased by 129.7% from RMB128 million in 2008 to RMB294 million in 2009. Gross profit margin increased from 38.60% in 2008 to 50.1% in 2009. The increase in gross profit margin was attributable to the increase in the selling price per sq.m. of the sold GFA which was higher than the increase in the construction cost per sq.m. of the sold GFA.

Other income and gains

Other income and gains increased by 130.4% from RMB6,962,000 in 2008 to RMB16,039,000 in 2009. The increase in other income and gains was mainly attributable to the realisation of exchange fluctuation reserve upon the de-registration of a wholly-owned subsidiary of the Group.

Changes in fair value of investment properties

The changes in the fair value of investment properties increased by 75.8% from RMB211 million in 2008 to RMB372 million in 2009. The increase in the fair value of investment properties was mainly attributable to the value appreciation of commercial properties of the Beijing World City on revaluation.

Selling and marketing expenses

Selling and marketing expenses increased by 43.5% from RMB27,143,000 in 2008 to RMB38,955,000 in 2009. The increase in selling and marketing expenses was mainly attributable to an increase in the number of property projects rolled out for pre-sale.

Administrative expenses

Administrative expenses increased by 40.6% from RMB64,883,000 in 2008 to RMB91,197,000 in 2009. The increase in administrative expenses was mainly attributable to the increase in expenses in connection with the preparation of the initial public offering of the Company's shares, the amortisation of prepaid land lease payments for the newly acquired subsidiary, Fujian Straits West-Coast Investment Co., Ltd and the increase in number of employees of the Group in 2009.

Finance costs

Finance costs increased by 69.7% from RMB3,324,000 in 2008 to RMB5,642,000 in 2009. The increase in finance costs was attributable to the interest expenses incurred by the newly acquired subsidiary, Fujian Straits West-Coast Investment Co., Ltd.

Share of profits and losses of jointly-controlled entities and associates

Share of losses of jointly-controlled entities and associates decreased by 48.5% from the losses of RMB9,110,000 in 2008 to RMB4,693,000 in 2009. The reduction in losses was mainly due to the increase in profit recorded by one of our jointly-controlled entities.

Income tax expense

Income tax expense increased by 136.7% from RMB75,606,000 in 2008 to RMB178,996,000 in 2009. The increase in tax expenses was mainly attributable to the increase in corporate income tax and land appreciation tax levied on the sale of properties of the Beijing World City and deferred tax liability arising from changes in fair value of investment properties. The increase in corporate income tax and land appreciation tax was due to the higher average selling price of the sold properties of Beijing World City which in turn increased the revenue and the land appreciation value.

Profit attributable to owners of the parent

Profit attributable to owners of the parent increased by 121.7% from RMB168 million in 2008 to RMB373 million in 2009. Net profit margin increased from 50.9% in 2008 to 63.7% in 2009, which was mainly attributable to the increase in the fair value gains of investment properties from RMB211 million in 2008 to RMB372 million in 2009 as well as a significant increase in the net profit from property sales.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2009, the Group's cash and bank balances were approximately RMB604,805,000 (2008: RMB143,089,000). Of which, approximately RMB482,982,000 (2008: RMB138,161,000) was denominated in RMB, approximately RMB44,073,000 (2008: RMB4,565,000) was denominated in Hong Kong dollars and approximately RMB77,750,000 (2008: RMB363,000) was denominated in US dollars.

According to the relevant laws and regulations of the PRC, the Group was required to place certain amounts of cash and bank deposits into designated bank accounts to provide bank guarantees. As at 31 December 2009, the amount of restricted cash was approximately RMB115,325,000 (2008: RMB83,410,000).

Borrowings and pledged assets

As at 31 December 2009, the total amount of interest-bearing bank and other loans was approximately RMB2,106 million (2008: RMB1,354 million). Of which, approximately RMB567 million (2008: RMB1,009 million) was repayable within one year, approximately RMB360 million (2008: RMB14 million) was repayable in the second year, approximately RMB1,171 million (2008: RMB318 million) was repayable within three to five years and approximately RMB8 million (2008: RMB12 million) was repayable after five years.

At at 31 December 2009, approximately RMB2,106 million (2008: RMB1,133 million) of bank loans was secured by the Group's properties and equipment, investment properties, prepaid land rent, properties under development and completed properties held for sale with total carrying value of approximately RMB4,412 million (2008: RMB 2,380 million).

Except for certain secured bank loans of approximately RMB8 million (2008: 9 millon) as at 31 December 2009 and certain loans of RMB9 million as at 31 December 2008 which are denominated in Hong Kong dollars, all the Group's secured and unsecured borrowings are denominated in RMB.

Except for certain short term bank loans of RMB545 million (2008: RMB195 million) as at 31 December 2009 and certain short term other loans of RMB15 million as at 31 December 2008, the interest rates of which were fixed in nature, all borrowings bear interest at floating interest rates. The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

Gearing ratio

The net gearing ratio was calculated by dividing the net amount of loans (interest-bearing bank and other loans after deduction of cash and cash equivalents and restricted cash) by total equity. As at 31 December 2009, the net gearing ratio was 64.9% (2008: 211.0%). In 2009, the decrease in net gearing ratio was due to the increase in core earnings and approximately US$100 million of proceeds was raised upon the completion of the pre-IPO placing in August 2009.

Exchange rate movement exposures

The majority of the Group's income and expenses are denominated in RMB, therefore any exchange rate changes of RMB against other currencies will not have material adverse effect on the operation of the Group. As such, we have not entered into any hedging transaction during the year under review.

Contingent liabilities

As at 31 December 2009, the Group provided financial guarantees to the banks in respect of the following items:

	As at 31 December	
	2009	**2008**
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	879,213	504,211

In addition, the Group's share of the jointly-controlled entities' and associates' own financial guarantees which are not included in the above, is as follows:

	As at 31 December	
	2009	**2008**
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	339,245	59,614
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	27,867	—

Capital commitments

As at 31 December 2009, the capital commitments of the Group were as follows:

	As at 31 December	
	2009	**2008**
	RMB'000	*RMB'000*
Contracted but not provided for:		
Capital expenditure for properties under development, completed properties held for sale and construction of investment and owner-occupied properties in Mainland China	1,332,476	1,110,644

In addition, the Group's share of the jointly-controlled entities' own capital commitments which are not included in the above, is as follows:

	As at 31 December	
	2009	**2008**
	RMB'000	*RMB'000*
Contracted but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development	9,564	52,205

Employee and remuneration policies

As at 31 December 2009, the Group had approximately 430 employees. For the year ended 31 December 2009, the total cost of employees was approximately RMB33 million (2008: RMB25 million). We provide employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on regular basis according to the performance and contribution of the employees and the industry remuneration level.

Use of proceeds

The Company's shares have been listed on the Stock Exchange since 5 February 2010. Proceeds from the issuance of new shares pursuant to the Company's initial public offering amounted to approximately HK$1,500 million (RMB1,322 million) (net of related issuing expenses). Such net proceeds have been used in the following manner:

	Amount raised *(RMB million)*	**Amount used as at 31 March 2010** *(RMB million)*
Land premium	661	447
Development of existing property projects	529	17
General working capital	132	—
	1,322	464

EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to a written resolution of shareholders of the Company passed on 6 January 2010, the authorised share capital of the Company was increased from HK$300,000 to HK$1,000,000,000 divided into 10,000,000,000 shares by the creation of 9,997,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company and the directors were conditionally authorised to issue and allot 2,253,087,340 shares at par as fully paid to the shareholders whose names appeared on the register of the members of the Company on 1 January 2010 by way of capitalisation of a sum of HK$225,308,734 which was then standing to the credit of the share premium account of the Company.

(b) On 5 February 2010, the Company's shares were listed on the Stock Exchange and the Company issued 600,000,000 new ordinary shares of HK$0.10 each at HK$2.60 per share, raising gross proceeds of HK$1,560,000,000.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 1 June 2010. Notice of the annual general meeting will be published and dispatched in accordance with the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") in due course.

CLOSURE OF THE SHARE REGISTER

The share register of the Company will be closed from 27 May 2010 to 1 June 2010 (both days inclusive), during which no transfer of shares will be effected. To qualify for the attendance at the annual general meeting, all duly completed forms of transfer together with the relevant share certificates must be delivered to the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 26 May 2010.

AUDIT COMMITTEE

The Company has established an Audit Committee on 6 January 2010 pursuant to Rule 3.12 to the Listing Rules. The Audit Committee of the Company comprises three independent non-executive directors, namely, Mr. Ting Leung Huel Stephen as Chairman and Mr. Lu Hong Te and Mr. Dai Yiyi as the other two members.

The Audit Committee of the Company has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2009.

REMUNERATION COMMITTEE

The Company has established an Remuneration Committee on 6 January 2010 pursuant to Appendix 14 to the Listing Rules. Mr. Wong Chiu Yeung is the Chairman of the Remuneration Committee and the other two members are Mr. Ting Leung Huel Stephen and Mr. Dai Yiyi.

NOMINATION COMMITTEE

The Company has established an Nomination Committee on 6 January 2010 pursuant to Appendix 14 to the Listing Rules. Mr. Cheng Hiu Lok is the Chairman of the Nomination Committee and the other two members are Mr. Li Wei and Mr. Lu Hong Te.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE BOARD

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules ("Model Code") as its code of conduct for securities transactions by directors. The Company has made special enquiries to all directors and all directors have confirmed that they have been in compliance with the Model Code and its code of conduct since the Company's listing on the main board of the Stock Exchange on 5 February 2010.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As the Company was not yet listed on the Stock Exchange in 2009, the Company and any of its subsidiaries had not purchased, sold or redeemed any listed securities of the Company during the year.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules (the "Code"). As the Company was not yet listed on the Stock Exchange in 2009, the Code was not applicable to the Company in the year under review. The Company has complied with the Code since its listing on the Stock Exchange on 5 February 2010, except for the following deviation:

Under Rule A.2.1 in Appendix 14 to the Listing Rules, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board believes that the serving by the same individual as Chairman and Chief Executive Officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company. During the period, Mr. Wong Chiu Yeung performed his duties as the Chairman and the Chief Executive Officer of the Company.

APPRECIATION

The results of the Company are the joint efforts of its professional management and its diligent working teams and cannot do without the tremendous support from all circles of the society. I, on behalf of the Board of the Company, hereby take this opportunity to thank with sincerity all shareholders, customers, business partners and all employees for the great support they have given to the Company.

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

Hong Kong, China, 15 April 2010

As at the date of this announcement, the executive Directors of the Company are Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok and Mr. Li Wei, the non-executive Director of the Company is Mr. Fung Ka Pun and the independent non-executive Directors are Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi.