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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- Revenue amounted to RMB3,770,348,000.
- Gross profit margin increased by 2.3 points to 40.9%.
- Profit for the year amounted to RMB877,003,000.
- Profit attributable to owners of the parent amounted to RMB715,757,000.
- Basic earnings per share amounted to RMB25.1 cents.
- Cash and bank balances increased by 36.6% to RMB2,079,362,000 as at 31 December 2011.
- Net gearing ratio was 50.7% as at 31 December 2011.
- Proposed final dividend of HK4 cents per ordinary share.

The board (the "Board") of directors (the "Directors") of China SCE Property Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
REVENUE	5	**3,770,348**	4,131,295
Cost of sales		**(2,227,639)**	(2,537,800)
Gross profit		**1,542,709**	1,593,495
Other income and gains	5	**107,617**	22,219
Changes in fair value of investment properties		**348,361**	64,228
Selling and marketing expenses		**(130,807)**	(101,066)
Administrative expenses		**(204,129)**	(171,583)
Other expenses		**(1,720)**	(832)
Finance costs	6	**(130,872)**	(6,891)
Exchange differences arising from retranslation of senior notes		**(48,411)**	—
Share of profits and losses of:			
Jointly-controlled entities		**(4,964)**	92,283
Associates		**(9,907)**	35,565
PROFIT BEFORE TAX	7	**1,467,877**	1,527,418
Income tax expense	8	**(590,874)**	(591,107)
PROFIT FOR THE YEAR		**877,003**	936,311
OTHER COMPREHENSIVE INCOME/(LOSS):			
Share of other comprehensive income/(loss) of jointly-controlled entities		**2,370**	(1,697)
Share of other comprehensive income of associates		**7,227**	4,589
Exchange differences arising from net investment hedge in foreign operations		**(45,853)**	—
Exchange differences on translation of foreign operations		**49,646**	(1,013)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**13,390**	1,879
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**890,393**	938,190

	Note	**2011**	2010
		RMB'000	RMB'000
Profit/(loss) attributable to:			
Owners of the parent		**715,757**	946,125
Non-controlling interests		**161,246**	(9,814)
		877,003	936,311
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**717,636**	944,981
Non-controlling interests		**172,757**	(6,791)
		890,393	938,190
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
		RMB	RMB
Basic and diluted		**25.1 cents**	33.8 cents

Details of dividends for the year are disclosed in note 9 to this results announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Note	**2011**	2010
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property and equipment		**159,973**	115,610
Investment properties		**1,855,000**	1,396,000
Prepaid land lease payments		**2,910,310**	1,613,786
Intangible asset		**4,486**	4,662
Properties under development		**899,644**	409,828
Contract in progress		**279,864**	26,457
Investments in jointly-controlled entities		**284,683**	141,456
Investments in associates		**24,900**	46,282
Prepayments and deposits		**567,209**	357,197
Deferred tax assets		**241,192**	70,004
Total non-current assets		**7,227,261**	4,181,282
CURRENT ASSETS			
Properties under development		**4,450,136**	4,250,492
Completed properties held for sale		**606,079**	147,462
Trade receivables	11	**172,368**	27,107
Prepayments, deposits and other receivables		**305,943**	205,974
Due from related parties		**410,893**	218,411
Tax recoverable		**33,832**	24,832
Restricted cash		**191,884**	253,238
Cash and cash equivalents		**1,887,478**	1,268,891
Total current assets		**8,058,613**	6,396,407

	Note	2011	2010
		RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	12	**788,588**	443,456
Receipts in advance		**1,473,005**	1,531,958
Other payables and accruals		**759,802**	476,658
Interest-bearing bank and other borrowings		**1,406,736**	631,891
Due to related parties		**81,124**	76,798
Tax payable		**913,569**	454,581
Total current liabilities		**5,422,824**	3,615,342
NET CURRENT ASSETS		**2,635,789**	2,781,065
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,863,050**	6,962,347
NON-CURRENT LIABILITIES			
Other payables		**15,000**	16,410
Interest-bearing bank and other borrowings		**1,720,197**	2,082,354
Senior notes		**1,953,506**	—
Deferred tax liabilities		**243,606**	170,985
Provision for major overhauls		**11,834**	7,648
Total non-current liabilities		**3,944,143**	2,277,397
Net assets		**5,918,907**	4,684,950
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**250,683**	250,683
Reserves		**4,071,811**	3,416,376
		4,322,494	3,667,059
Non-controlling interests		**1,596,413**	1,017,891
Total equity		**5,918,907**	4,684,950

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.

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 (the "BVI").

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-lnt 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-lnt 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010*

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations:* The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

4. **OPERATING 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 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 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:

	2011	2010
	RMB'000	RMB'000
Revenue		
Sale of properties	**3,680,800**	4,071,625
Gross rental income	**58,721**	42,809
Property management fees	**30,827**	16,861
	3,770,348	4,131,295
Other income and gains		
Bank interest income	**57,086**	4,725
Provision of construction services	**20,160**	—
Foreign exchange gains, net	**16,799**	4,378
Gain on disposal of items of property and equipment	**3,218**	—
Others	**10,354**	13,116
	107,617	22,219

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2011 RMB'000	2010 RMB'000
Interest on bank loans and other borrowings and senior notes wholly repayable within five years	**425,361**	122,565
Interest on bank loans repayable beyond five years	**785**	973
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**344**	171
Total interest expense on financial liabilities not at fair value through profit or loss	**426,490**	123,709
Less: Interest capitalised	**(295,618)**	(116,818)
	130,872	6,891

7. PROFIT BEFORE TAX

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

	2011 RMB'000	2010 RMB'000
Cost of properties sold	**2,202,710**	2,517,386
Cost of services provided	**24,753**	20,257
Depreciation	**13,954**	11,095
Amortisation of land lease payments	**48,259**	49,507
Amortisation of an intangible asset	**176**	157
Provision for major overhauls	**3,842**	3,677
Minimum lease payments under operating leases for land and buildings	**4,212**	3,852
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**217**	87
Auditors' remuneration	**2,430**	1,924
Employee benefit expense (including directors' remuneration):		
Salaries and other staff costs	**89,941**	72,928
Pension scheme contributions	**9,489**	4,134
Less: Amount capitalised	**(20,955)**	(13,666)
	78,475	63,396
Foreign exchange differences, net	**(16,799)**	(4,378)
Write-off of items of property and equipment	**1,720**	797
Loss/(gain) on disposal of items of property and equipment	**(3,218)**	35

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 (2010: 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.

	2011	2010
	RMB'000	RMB'000
Group:		
Current charge for the year:		
PRC corporate income tax	**411,302**	321,779
PRC land appreciation tax	**278,139**	272,396
	689,441	594,175
Deferred	**(98,567)**	(3,068)
Total tax charge for the year	**590,874**	591,107

9. DIVIDENDS

	2011	2010
	RMB'000	RMB'000
Interim dividend - Nil (2010: HK4 cents) per ordinary share	**—**	99,814
Proposed final - HK4 cents (2010: HK5 cents) per ordinary share	**92,494**	124,290
	92,494	224,104

A final dividend of HK5 cents per ordinary share amounting to RMB124,290,000 for the year ended 31 December 2010 was paid on 5 May 2011 by the Company.

The proposed final dividend for the year ended 31 December 2011 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 2,853,200,000 (2010: 2,795,665,753) in issue during the year.

The weighted average number of ordinary shares in issue during the prior year had been retrospectively adjusted to reflect the capitalisation issue in February 2010.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 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.

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.

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

	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**159,644**	12,671
1 to 6 months past due	**8,518**	9,711
7 to 12 months past due	**2,193**	2,243
Over 1 year past due	**2,013**	2,482
	172,368	27,107

12. TRADE PAYABLES

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

	2011	2010
	RMB'000	RMB'000
Within 1 year	**772,566**	437,989
Over 1 year	**16,022**	5,467
	788,588	443,456

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year of 2011 is the first year of the "twelfth five-year plan" in China, and the PRC's macro economy was good as a whole. According to the preliminary statistics from the National Bureau of Statistics, the PRC's GDP for the year of 2011 reached RMB47,156.4 billion, representing a year-on-year increase of 9.2%. Our target province, Fujian, realised a provincial GDP of RMB1,741 billion, representing a year-on-year increase of 12.2%. In terms of the real estate market, the PRC central government continued to impose austerity measures on the property market which had been implemented since 2010 and also tightened its monetary policy. Various regional governments also initiated "purchase restriction". Together with the indirect impact of the European debt crisis and the slow recovery of the global economy, the PRC real estate sector had entered a cold winter period.

The effect of severe austerity measures has become more obvious in the second half of 2011 especially in the fourth quarter, and the trading volume and price of the property market fell as a whole at the same time. In particular, property prices in many large and medium-sized cities nationwide experienced a month-on-month decrease starting from October. The overall performance of the PRC property sales market had been driven down by the decreasing trend since the second half of the year. According to the "Development and Sales of Properties in the year of 2011" issued by the National Bureau of Statistics, commodity housing achieved sales of 1,099 million sq.m. in area, representing an increase of only 4.9% from the previous year, and area of residential housing sold only increased by 3.9%, indicating a considerable slowdown in growth. We consider that the policy effect on the property sales market will go on in the first half of 2012.

It is our customary practices to pay close attention to the economic development trend and the industry development direction, keenly capture changes in the market and make quick responses accordingly. In January 2011, the Group successfully issued RMB2 billion of US$-settled RMB denominated five-year synthetic bonds with a coupon rate of 10.5%, and became the first real estate company which successfully issued synthetic RMB bonds in 2011. This provided sufficient cash flow for the Group and enhanced our confidence in preventing risks.

During the year, realised contract sales amount of the Group was approximately RMB4.6 billion, representing a year-on-year increase of 27%, and realised contract sales area was approximately 0.51 million sq.m., representing a year-on-year increase of 5%. The average property selling price increased by 20% to RMB8,897 per sq.m.

Contract Sales

In 2011, under the rigorous market environment, the Group had adjusted its marketing strategies in a timely manner and obtained relatively sound sales results. The Group rolled out six new projects during the year, namely Fortune Plaza • Royal Terrace, Sapphire Peninsula and Sunshine Mansion in Quanzhou, Provence Town in Xiamen, Sapphire Boomtown Phase 1 in Zhangzhou and Sapphire Villa Phase 1 in Tangshan. The sales pace of such new property units slowed due to the overall market downturn, however, we maintained relatively steady trends with sales falling in a controllable and expected range as compared to our competitors. Property sales distribution by city during the year is set out as follows:

City	Contract Sales Area (sq.m.)	Contract Sales Amount (RMB million)
Quanzhou	297,335	2,322
Xiamen	89,106	1,047
Zhangzhou	97,971	873
Other	29,511	331
Total	513,923	4,573

Project Development

Projects completed in 2011

In 2011, the completed projects involved a total gross floor area ("GFA") of approximately 0.77 million sq.m., mainly residential properties. Completed properties distribution by city is set out as follows:

City	Type of Property	Total GFA (sq.m.)
Quanzhou	Residential and commercial	500,339
Xiamen	Residential and commercial	55,441
Zhangzhou	Residential and commercial	127,683
Other	Residential and commercial	82,809
Total		766,272

Projects commenced in 2011

In 2011, the Group adjusted its project development plan from the prospect of maintaining steady cash flow. During the year, the Group commenced three projects, namely portion A of Gold Coast Phase 1 located in Quanzhou, Sapphire Villa Phase 1 located in Tangshan and Royal Spring City • Spring Villa located in Anshan, with a total planned GFA of approximately 0.40 million sq.m.

Projects under development as at 31 December 2011

As at 31 December 2011, the Group together with its jointly-controlled entities and associates owned ten projects under development, with a total planned GFA of approximately 1.46 million sq.m. Currently, each project is planned in an orderly way.

City	**Name of Project**	**Type of Property**	**Interest Attributable to the Group (%)**	**Total Planned GFA (sq.m.)**
Quanzhou	Fortune Plaza • Royal Terrace	Residential	58	202,129
Quanzhou	Sapphire Peninsula	Residential and commercial	100	267,676
Quanzhou	Purple Lake International Golf Villa Phase 1	Low-density residence	49	62,217
Quanzhou	Sunshine Mansion	Residential and commercial	80	300,641
Quanzhou	Portion A of Gold Coast Phase 1	Residential, commercial and tourisum related integrated development	45	160,792
Xiamen	The Regent	Residential	60	66,084
Xiamen	Provence Town	Residential and commercial	100	142,930
Zhangzhou	Sapphire Boomtown Phase 1	Residential and commercial	100	20,895
Tangshan	Sapphire Villa Phase 1	Low-density residence	100	64,911
Anshan	Royal Spring City • Spring Villa	Low-density residence	70	168,729
Total				1,457,004

Projects held for future development as at 31 December 2011

As at 31 December 2011, the Group together with its jointly-controlled entities and associates owned a total planned GFA of approximately 5.94 million sq.m. held for future development.

City	**Name of Project**	**Type of Property**	**Interest Attributable to the Group (%)**	**Total Planned GFA (sq.m.)**
Quanzhou	Fortune Plaza Phases 3, 4 & 5	Residential, commercial, office and hotel	58	817,821
Quanzhou	Sunshine Town Phase 2	Residential and commercial	100	220,229
Quanzhou	Purple Lake International Golf Villa Phase 2	Low-density residence	49	60,982
Quanzhou	Portion B of Gold Coast Phase 1, Phases 2 & 3	Residential, commercial and tourism related integrated development	45	1,095,608
Quanzhou	International Finance Center	Residential and commercial	34	405,000
Quanzhou	World City	Residential and commercial	80	660,000
Xiamen	Sunshine City	Residential and commercial	90	143,000
Zhangzhou	Sapphire Boomtown Phases 2, 3 & 4	Residential and commercial	100	371,721
Beijing	Beijing Project	Residential and commercial	100	38,195
Anshan	Royal Spring City (excluding Phase 1)	Residential and commercial	70	1,645,139
Linfen	SCE International Community Phases 2 & 3	Residential and commercial	90	485,878
Total				5,943,573

Land Bank

During the year, there was a sign of a slowdown in the growth of the PRC economy, and the real estate market was also faced with uncertainties, and therefore, the Group properly adjusted its land purchasing plan. In 2011, the Group purchased three parcels of land in Quanzhou and Xiamen, with an increased total planned GFA of approximately 1.21 million sq.m. (the planned GFA attributable to the Group was approximately 0.79 million sq.m.).

As at 31 December 2011, the Group together with its jointly-controlled entities and associates owned a total planned GFA of approximately 8.00 million sq.m. (the attributable portion of the Group was approximately 5.53 million sq.m.), including a total planned GFA of approximately 0.42 million sq.m. for which framework agreements had been entered into but public tender procedures had not been completed. It is believed that the existing land bank will satisfy our development needs in the next four to five years. Approximately 64% of the Group's land bank was located in the Western Taiwan Strait Economic Zone, approximately 31% in the Bohai Rim Economic Zone, and the remaining 5% in Shenzhen of Pearl River Delta Economic Zone.

Outlook

The principles of economics tell us that the fundamental factor influencing markets, including the real estate market, lies in the relationship between supply and demand. Various objective factors, such as stable and rapid growth of the macroeconomy, increasing social wealth and enhanced urbanisation rate, determine that the rigid demand of the property market will remain tremendous. According to the data released by the National Bureau of Statistics, the urban population of Mainland China as at the end of 2011 as a percentage of total population reached 51.27%, exceeding the rural population for the first time in the history. We consider, the rigid demand will support the development of the property market in the medium and long term and therefore, we expect the medium and long term development of the real estate market will remain booming.

However, the PRC central government will continue to regulate the real estate industry in the short term. The original and fundamental purposes for controlling the property market of the central government is to build a low-income housing system, curb speculation needs and facilitate property prices to return to a reasonable level. Accordingly, the unit price and trading volume of the property market will continue to be subject to adjustment in the short run, until the industry entered the orbit of steady development.

The deep adjustment with which the PRC's property market is being faced has become an irrevocable trend in the development of the industry, and the result of market consolidation will inevitably lead to the survival of the fittest in the industry. The current industry adjustment is both a challenge and an opportunity for the Group. As a developer focusing on quality and implementing a prudent financial system, the Group has confidence and also the ability to respond proactively to existing challenges. In an adverse situation, we will put more emphasis on our own development, cultivate more outstanding quality-control ability, strengthen management capability and develop brand strength so as to lay a solid foundation for the Group's future development.

FINANCIAL REVIEW

Revenue

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

The annual revenue decreased by 8.7% from approximately RMB4,131,295,000 in 2010 to approximately RMB3,770,348,000 in 2011, which was attributable to the decrease in property sales income.

- **Sale of properties**

  Income from property sales decreased by 9.6% from approximately RMB4,071,625,000 in 2010 to approximately RMB3,680,800,000 in 2011, which was due to more mid-end projects were delivered in 2011, and therefore the average unit selling price decreased from RMB 9,163 per sq.m. to RMB6,644 per sq.m. in 2011, while the delivered area increased by 24.7% from 444,414 sq.m. in 2010 to 553,990 sq.m. in 2011.

- **Rental income**

  Rental income increased by 37.2% from approximately RMB42,809,000 in 2010 to approximately RMB58,721,000 in 2011, which was mainly attributable to the increase in leased area of shopping mall in the Beijing World City.

- **Property management income**

  Property management income increased by 82.8% from approximately RMB16,861,000 in 2010 to approximately RMB30,827,000 in 2011, which was mainly attributable to the increase in number and floor area of properties under management.

Cost of Sales

Cost of sales decreased by 12.2% from approximately RMB2,537,800,000 in 2010 to approximately RMB2,227,639,000 in 2011. The decrease in cost of sales was mainly attributable to more mid-end projects with relatively lower land costs were delivered in 2011.

Gross Profit

Gross profit decreased by 3.2% from approximately RMB1,593,495,000 in 2010 to approximately RMB1,542,709,000 in 2011. Gross profit margin increased from 38.6% in 2010 to 40.9% in 2011. The increase in gross profit margin was attributable to higher selling prices of properties of the same product line than that for the last year.

Other Income and Gains

Other income and gains increased by 3.8 times from approximately RMB22,219,000 in 2010 to approximately RMB107,617,000 in 2011. The increase in other income and gains was mainly attributable to the substantial increase in interest income.

Changes in Fair Value of Investment Properties

The changes in the fair value of investment properties increased by 4.4 times from approximately RMB64,228,000 in 2010 to approximately RMB348,361,000 in 2011. The substantial increase in the fair value of investment properties was mainly attributable to the increase in the area of investment properties during the year. Investment properties mainly include shopping mall of World City in Beijing, retail shops of Sapphire Peninsula in Quanzhou and offices of SCE Building in Xiamen.

Selling and Marketing Expenses

Selling and marketing expenses increased by 29.4% from approximately RMB101,066,000 in 2010 to approximately RMB130,807,000 in 2011. The increase in selling and marketing expenses was mainly attributable to the substantial increase in the number of projects for pre-sale. New projects launched for pre-sale in 2011 included Fortune Plaza • Royal Terrace, Sapphire Peninsula and Sunshine Mansion in Quanzhou, Provence Town in Xiamen, Sapphire Boomtown Phase 1 in Zhangzhou and Sapphire Villa Phase 1 in Tangshan.

Administrative Expenses

Administrative expenses increased by 19.0% from approximately RMB171,583,000 in 2010 to approximately RMB204,129,000 in 2011. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs and operating expenses to meet the need of business expansion.

Finance Costs

Finance costs significantly increased by 18.0 times from approximately RMB6,891,000 in 2010 to approximately RMB130,872,000 in 2011. The increase in finance costs was attributable to failure in capitalising most of the interest expense of senior notes during the year.

Share of Profits and Losses of Jointly-controlled Entities and Associates

Share of profits and losses of jointly-controlled entities and associates changed from profits of approximately RMB127,848,000 in 2010 to losses of approximately RMB14,871,000 in 2011. The losses in 2011 was mainly due to the fact that no new project was completed and delivered by jointly-controlled entities and associates in 2011.

Income Tax Expense

Income tax expense for the year amounted to approximately RMB590,874,000, which was approximated to that of last year (2010: approximately RMB591,107,000).

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent decreased by 24.3% from approximately RMB946,125,000 in 2010 to approximately RMB715,757,000 in 2011, which was mainly attributable to the significant increase in the profits attributable to non-controlling interests and finance costs not qualified for capitalisation. Earnings per share decreased by 25.7% from RMB33.8 cents in 2010 to RMB25.1 cents in 2011.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2011, the Group's cash and bank balances were approximately RMB2,079,362,000 (31 December 2010: approximately RMB1,522,129,000), of which approximately RMB2,002,463,000 (31 December 2010: approximately RMB1,488,581,000) was denominated in RMB, approximately RMB10,703,000 (31 December 2010: approximately RMB33,410,000) was denominated in Hong Kong dollars ("HK$") and approximately RMB66,196,000 (31 December 2010: approximately RMB138,000) was denominated in US dollars.

According to the relevant laws and regulations of the PRC, certain property development companies of the Group were required to place certain amounts of cash and bank deposits into designated bank accounts to provide bank guarantees. As at 31 December 2011, the amount of restricted cash was approximately RMB191,884,000 (31 December 2010: approximately RMB253,238,000).

Borrowings and Pledged Assets

As at 31 December 2011, the balance of the Group's interest-bearing bank and other borrowings and senior notes amounted to approximately RMB3,126,933,000 (31 December 2010: approximately RMB2,714,245,000) and RMB1,953,506,000 (31 December 2010: nil), respectively. Of the interest-bearing bank and other borrowings, approximately RMB1,406,736,000 (31 December 2010: approximately RMB631,891,000) was repayable within one year, approximately RMB1,382,690,000 (31 December 2010: approximately RMB1,066,184,000) was repayable in the second year, approximately RMB321,590,000 (31 December 2010: approximately RMB1,013,552,000) was repayable within three to five years and approximately RMB15,917,000 (31 December 2010: approximately RMB2,618,000) was repayable after five years. The senior notes were for a term of five years and, unless early redeemed, will mature on 14 January 2016.

As at 31 December 2011, approximately RMB3,126,933,000 (31 December 2010: approximately RMB2,714,245,000) of bank and other borrowings was secured by the Group's property and equipment, investment properties, prepaid land lease payments, properties under development, completed properties held for sale with a total carrying value of RMB7,295,629,000 (31 December 2010: approximately RMB5,155,158,000), equity interests of certain subsidiaries and prepaid land lease payments of an associate of the Group. The senior notes were secured by pledges over the equity interests of certain subsidiaries of the Company.

Except for certain secured bank borrowings of approximately RMB31,432,000 as at 31 December 2011 (31 December 2010: approximately RMB50,282,000) which were denominated in Hong Kong dollars, all the Group's bank and other borrowings and senior notes were denominated in Renminbi.

As at 31 December 2011, the Group's interest-bearing bank borrowings bore interest at floating interest rates, while other borrowings of RMB150,000,000 and senior notes bore interest at fixed interest rates. The carrying amounts of the Group's bank and other borrowings and senior notes approximate to their fair values.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (interest-bearing bank and other borrowings including senior notes after deduction of cash and cash equivalents and restricted cash) by total equity. As at 31 December 2011, the net gearing ratio was 50.7% (31 December 2010: 25.4%).

Exchange Rate Fluctuation Exposures

Senior notes issued in January 2011 is held by the Company with its functional currency in HK$ and the funds of which are being utilised to finance the operations of the Group's subsidiaries located in the PRC in the form of capital injection. In order to minimise the impact of changes in exchange rate arising from the translation of the investments in the Group's PRC subsidiaries to the functional currency of the Company, the Group adopted net investment hedge to manage its foreign currency risk according to the Group's risk management policy.

Apart from the senior notes, the majority of the Group's income and expenses are denominated in RMB, therefore it is expected that there would have no material adverse effect on the operation of the Group for any changes in RMB's exchange rate.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group provided financial guarantees to the banks in respect of the following items:

	2011	2010
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	**2,338,262**	1,305,421

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:

	2011	2010
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	**17,802**	334,531
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	**—**	24,635

CAPITAL COMMITMENTS

As at 31 December 2011, the capital commitments of the Group were as follows:

	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment and owner-occupied properties in Mainland China	**1,960,821**	1,812,174

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

	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development and prepaid land lease payments	**219,931**	75,508

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2011, the Group had a total of 1,436 employees (2010: 1,024 employees). The total cost of employees was approximately RMB99,430,000 (2010: approximately RMB77,062,000). We provide employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 10 May 2012. Notice of the annual general meeting will be published and dispatched in accordance with the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course.

DIVIDEND

The Board has proposed the payment of a final dividend of HK4 cents per ordinary share for the year ended 31 December 2011. The proposed final dividend, subject to approval by the shareholders of the Company at the forthcoming annual general meeting, will be paid on 25 May 2012 to the shareholders whose names appear on the register of members of the Company on 17 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 10 May 2012 ("2011 AGM"), the register of members of the Company will be closed from Monday, 7 May 2012 to Thursday, 10 May 2012, both days inclusive. In order to qualify for attending and voting at the 2011 AGM, all transfer documents should be lodged for registration with Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 4 May 2012.

(b) For the purpose of determining shareholders who are qualified for the proposed final dividend, the registrar of members of the Company will be closed from Wednesday, 16 May 2012 to Thursday, 17 May 2012, both days inclusive. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 15 May 2012.

AUDIT COMMITTEE

The Company established an Audit Committee on 6 January 2010 in compliance with Rule 3.21 of the Listing Rules. As required, the Audit Committee of the Company comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman. Other two members are Mr. Lu Hong Te and Mr. Dai Yiyi. Mr. Ting Leung Huel Stephen, the chairman of the Company's 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 of the Company has reviewed the accounting policies adopted by the Group, the consolidated financial statements of the Group for the year ended 31 December 2011 and this annual results announcement.

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 (the "Model Code") as its code of conduct for securities transactions by Directors. The Company has made specific enquiries to all Directors and all Directors have confirmed that they have been in compliance with the Model Code during the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

During the year ended 31 December 2011, the Company and the Board has been in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules, save as disclosed below:

Under Paragraph A.2.1 in of the 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 the Chairman and the Chief Executive Officer of the Company. 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.

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

The results announcement of the Company for the year ended 31 December 2011 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.sce-re.com.

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

Hong Kong, China, 28 March 2012

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, Mr. Li Wei, Mr. Liu Zhijie and Mr. Huang Youquan, 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.