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 2012

RESULTS HIGHLIGHTS

- Contracted sales increased by approximately 32% to RMB6,015,670,000.
- Revenue decreased by approximately 3.5% to RMB3,636,658,000.
- Profit for the year increased by approximately 2.7% to RMB901,024,000.
- Profit attributable to owners of the parent decreased by approximately 6.1% to RMB672,003,000.
- Basic earnings per share decreased by approximately 6.1% to RMB23.6 cents.
- Cash and bank balances increased by approximately 50.4% to RMB3,128,290,000 as at 31 December 2012.
- Net gearing ratio was 55.3% as at 31 December 2012.

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 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	**2012**	2011
		RMB'000	*RMB'000*
REVENUE	*5*	**3,636,658**	3,770,348
Cost of sales		**(2,352,023)**	(2,227,639)
Gross profit		**1,284,635**	1,542,709
Other income and gains	*5*	**97,627**	107,617
Changes in fair value of investment properties		**381,754**	348,361
Selling and marketing expenses		**(102,389)**	(130,807)
Administrative expenses		**(259,016)**	(204,129)
Other expenses		**(5,098)**	(1,720)
Finance costs	*6*	**(107,052)**	(130,872)
Exchange differences arising from retranslation of senior notes, net		**2,546**	(48,411)
Share of profits and losses of:			
Jointly-controlled entities		**1,018**	(4,964)
Associates		**(1,928)**	(9,907)
PROFIT BEFORE TAX	*7*	**1,292,097**	1,467,877
Income tax expense	*8*	**(391,073)**	(590,874)
PROFIT FOR THE YEAR		**901,024**	877,003
OTHER COMPREHENSIVE INCOME/(LOSS):			
Cash flow hedges:			
Changes in fair value of derivative financial instruments		**(31,637)**	–
Reclassification adjustments for exchange losses included in the profit or loss of the consolidated statement of comprehensive income		**(19,545)**	–
		(51,182)	–

	Notes	2012 RMB'000	2011 RMB'000
Share of other comprehensive income/(loss) of jointly-controlled entities		**(93)**	2,370
Share of other comprehensive income/(loss) of associates		**(1,939)**	7,227
Release upon deregistration of a jointly-controlled entity		**(4,286)**	–
Release upon a deemed acquisition of subsidiaries		**(9,850)**	–
Exchange differences arising from net investment hedge in foreign operations	7	**1,042**	(45,853)
Exchange differences on translation of foreign operations		**16,142**	49,646
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(50,166)**	13,390
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**850,858**	890,393
Profit attributable to:			
Owners of the parent		**672,003**	715,757
Non-controlling interests		**229,021**	161,246
		901,024	877,003
Total comprehensive income attributable to:			
Owners of the parent		**618,819**	717,636
Non-controlling interests		**232,039**	172,757
		850,858	890,393
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted		**RMB23.6 cents**	RMB25.1 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	**2012** *RMB'000*	2011 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**144,864**	159,973
Investment properties		**2,854,000**	1,855,000
Prepaid land lease payments		**2,263,953**	2,910,310
Intangible asset		**4,319**	4,486
Properties under development		**1,261,631**	899,644
Contract in progress		**313,072**	279,864
Investments in jointly-controlled entities		**279,146**	284,683
Investments in associates		**51,673**	24,900
Prepayments and deposits		**974,259**	567,209
Deferred tax assets		**138,039**	241,192
Total non-current assets		**8,284,956**	7,227,261
CURRENT ASSETS			
Properties under development		**6,481,298**	4,450,136
Completed properties held for sale		**1,064,592**	606,079
Trade receivables	*11*	**388,350**	172,368
Prepayments, deposits and other receivables		**571,887**	305,943
Due from related parties		**25,527**	410,893
Tax recoverable		**83,830**	33,832
Restricted cash		**678,069**	191,884
Pledged deposits		**173,000**	–
Cash and cash equivalents		**2,277,221**	1,887,478
Total current assets		**11,743,774**	8,058,613
CURRENT LIABILITIES			
Trade payables	*12*	**812,921**	788,588
Receipts in advance		**2,806,387**	1,473,005
Other payables and accruals		**1,334,638**	759,802
Interest-bearing bank and other borrowings		**2,111,571**	1,406,736
Due to related parties		**70,250**	81,124
Tax payable		**727,884**	913,569
Total current liabilities		**7,863,651**	5,422,824

	2012	2011
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**3,880,123**	2,635,789
TOTAL ASSETS LESS CURRENT LIABILITIES	**12,165,079**	9,863,050
NON-CURRENT LIABILITIES		
Other payables	**–**	15,000
Interest-bearing bank and other borrowings	**1,648,729**	1,720,197
Senior notes	**3,195,049**	1,953,506
Derivative financial instruments	**31,637**	–
Deferred tax liabilities	**352,399**	243,606
Provision for major overhauls	**16,381**	11,834
Total non-current liabilities	**5,244,195**	3,944,143
Net assets	**6,920,884**	5,918,907
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**250,683**	250,683
Reserves	**4,590,666**	4,071,811
	4,841,349	4,322,494
Non-controlling interests	**2,079,535**	1,596,413
Total equity	**6,920,884**	5,918,907

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, PO 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, 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 and derivative financial instruments, 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 2012. 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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 of the statement of comprehensive income. 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 revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting HKAS 12 Amendments — Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* are as follows:

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, the Group continues to measure deferred tax liabilities arising from the fair value changes of their investment properties using tax rate that would apply on recovery of the assets through use. Therefore the adoption of the amendments did not have any impact on the financial position or performance of the Group.

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:

	Note	**2012**	2011
		RMB'000	*RMB'000*
Revenue			
Sale of properties		**3,522,162**	3,680,800
Gross rental income		**65,356**	58,721
Property management fees		**49,140**	30,827
		3,636,658	3,770,348
Other income and gains			
Bank interest income		**29,984**	57,086
Provision of construction services		**–**	20,160
Foreign exchange gains, net	*7*	**10,684**	16,799
Gain on disposal of items of property and equipment		**93**	3,218
Fair value gain on remeasurement of investments in associates		**41,237**	–
Others		**15,629**	10,354
		97,627	107,617

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2012	2011
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings and senior notes wholly repayable within five years	**456,639**	425,361
Interest on bank loans repayable beyond five years	**–**	785
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**533**	344
Loss on derivative financial instruments	**13,729**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**470,901**	426,490
Less: Interest capitalised	**(363,849)**	(295,618)
	107,052	130,872

7. PROFIT BEFORE TAX

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

	Note	**2012** *RMB'000*	2011 *RMB'000*
Cost of properties sold		**2,314,988**	2,202,710
Cost of services provided		**36,868**	24,753
Depreciation		**23,643**	13,954
Amortisation of land lease payments		**47,925**	48,259
Amortisation of an intangible asset		**167**	176
Provision for major overhauls		**4,014**	3,842
Minimum lease payments under operating leases for land and buildings		**2,620**	4,212
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**372**	217
Auditors' remuneration		**2,630**	2,430
Employee benefit expense (including directors' remuneration):			
Salaries and other staff costs		**105,101**	89,941
Pension scheme contributions		**9,901**	9,489
Less: Amount capitalised		**(22,796)**	(20,955)
		92,206	78,475
Write-off of items of property and equipment		**5,098**	1,720
Gain on disposal of items of property and equipment		**(93)**	(3,218)
Exchange differences arising from retranslation of senior notes		**15,957**	94,264
Less: Amount recognised in other comprehensive income as a result of net investment hedge		**1,042**	(45,853)
Less: Reclassification from hedging reserve as a result of cash flow hedges		**(19,545)**	–
Net exchange differences arising from retranslation of senior notes		**(2,546)**	48,411
Other foreign exchange differences, net	*5*	**(10,684)**	(16,799)
Exchange differences, net		**(13,230)**	31,612

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 (2011: 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.

	2012	2011
	RMB'000	*RMB'000*
Group:		
Current charge for the year:		
PRC corporate income tax	**90,171**	411,302
PRC land appreciation tax	**92,301**	278,139
	182,472	689,441
Deferred	**208,601**	(98,567)
Total tax charge for the year	**391,073**	590,874

9. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Proposed final — Nil (2011: HK4 cents) per ordinary share	**–**	92,494
	–	92,494

A final dividend of HK4 cents per ordinary share amounting to RMB92,494,000 for the year ended 31 December 2011 was paid on 25 May 2012 by the Company.

The Directors do not recommend payment of any final dividend for the year ended 31 December 2012.

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 (2011: 2,853,200,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 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:

	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**383,980**	159,644
1 to 6 months past due	**1,305**	8,518
7 to 12 months past due	**979**	2,193
Over 1 year past due	**2,086**	2,013
	388,350	172,368

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:

	2012	2011
	RMB'000	*RMB'000*
Within 1 year	**799,618**	772,566
Over 1 year	**13,303**	16,022
	812,921	788,588

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

13. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2013, the Group issued additional senior notes with an aggregate principal amount of US$150,000,000 at a price of 108% of the principal amount. The additional notes have been consolidated and formed a single class with the US$200,000,000 11.5% senior notes due 2017 issued by the Company on 14 November 2012 (the "2012 Senior Notes"). The Group raised net proceeds of approximately US$159,120,000 (after deduction of underwriting commissions and other expenses).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2012, despite facing unfavorable situation caused by the Eurozone debt crisis and the sluggish global economic recovery, the economy in the PRC remained stable. According to preliminary statistics of the National Bureau of Statistics of China, the gross domestic product (the "GDP") of China was approximately RMB51,932.2 billion in 2012, a year-on-year increase of approximately 7.8% at comparable prices, the GDP growth of Fujian Province reached approximately 11.4% which was higher than the country's overall GDP growth rate. In respect of the property market, in 2012, the PRC government has maintained the macro control policies on the property sector adopted in 2011 with no subsequent tougher macro control policies issued. With relevant measures that promoting economic growth implemented by the PRC government in 2012, signs of recovery in China's property market were shown resulting from cuts in lending rate as well as credit relaxation.

Since the second quarter of 2012, China's property market has started to turn around with gradual growth in transaction volume driven by strategy of "Price for Volume" adopted by a number of property developers. In the fourth quarter of 2012, market rebound has apparently accelerated as proven by a solid increase in the selling price of commodity housing. According to the "2012 Development and Sales of Properties in China" issued by the National Bureau of Statistics of China, China's sales of commodity housing in 2012 was approximately 1,113 million sq.m., representing a year-on-year increase of approximately 1.8%, and area of residential housing sold was up by approximately 2%, indicating that the property market, in general, has developed in a steady and more rational manner even under the effects of macro control policies.

BUSINESS REVIEW

Property Sales

In 2012, the Group recorded contracted sales area of approximately 0.67 million sq.m. with an amount of approximately RMB6,016 million, representing a year-on-year growth of approximately 30% and approximately 32% respectively. The annual contracted sales amount was approximately 50% above our sales target of RMB4,000 million set at the beginning of 2012.

In 2012, the Group had 12 projects in total on sale, five of them were newly launched during the year, namely, Fortune Plaza • World City, Gold Coast Phase 1 and Sunshine Mansion Phase 2 in Quanzhou, Sunshine City in Xiamen and Royal Spring City • Spring Villa in Anshan. To address the changing market environment, the Group has adopted flexible operating strategies to focus more on rigid demand in our product mix and adjust our property sales plan in due course, as a result, a remarkable sales performance was achieved. Property sales distribution by city during the year is set out as follows:

City	Contracted Sales Area *(sq.m.)*	Contracted Sales Amount *(RMB million)*
Quanzhou	428,269	3,643
Xiamen	189,263	1,708
Zhangzhou	8,952	77
Other	42,926	588
Total	669,410	6,016

In 2012, the Group recognised delivered area of properties of approximately 0.40 million sq.m. and recognised revenue from property sales of approximately RMB3,522 million. Average property selling price was approximately RMB8,709 per sq.m., representing a year-on-year increase of approximately 31%.

Project Development

Properties under development as at 31 December 2012

Fujian Province was still our core region for property development in 2012. Five new projects commenced construction during the year with an aggregate planned gross floor area ("**GFA**") of approximately 0.97 million sq.m. including Fortune Plaza • World City, International Finance Center • The Regent in Quanzhou, Sunshine City and The Prestige in Xiamen and Sapphire Boomtown Phase 2 in Zhangzhou.

Together with the above-mentioned new projects under construction, the Group had 10 projects under development in various stages with a total planned GFA of approximately 1.90 million sq.m. as at 31 December 2012. Details of the properties under development are as follows:

Name of Project	**City**	**Type of Property**	**Percentage of Interest Attributable to the Group** *(%)*	**Total Planned GFA** *(sq.m.)*
Fortune Plaza • Royal Terrace	Quanzhou	Residential	58	202,129
Fortune Plaza • World City	Quanzhou	Commercial	58	317,036
International Finance Center • The Regent	Quanzhou	Residential and commercial	34	256,196
Sapphire Peninsula	Quanzhou	Residential and commercial	100	267,676
Sunshine Mansion Phase 2	Quanzhou	Residential and commercial	80	172,156
Portion A of Gold Coast Phase 1	Quanzhou	Residential, commercial and tourism related integrated development	45	118,060
Sunshine City	Xiamen	Residential and commercial	100	143,000
The Prestige	Xiamen	Residential	65	89,244
Sapphire Boomtown Phase 2	Zhangzhou	Residential and commercial	100	163,033
Royal Spring City • Spring Villa	Anshan	Residential and commercial	70	168,729
Total				1,897,259

Properties held for future development as at 31 December 2012

As at 31 December 2012, the Group had a total planned GFA of approximately 6.13 million sq.m. held for future development, details of which are set out as follows:

Name of Project	**City**	**Type of Property**	**Percentage of Interest Attributable to the Group** *(%)*	**Total Planned GFA** *(sq.m.)*
Fortune Plaza Phases 4 & 5	Quanzhou	Residential, commercial, office and hotel	58	500,785
Sunshine Town Phase 2	Quanzhou	Residential and commercial	100	220,229
Portion B of Gold Coast Phase 1, Phases 2 & 3	Quanzhou	Residential, commercial and tourism related integrated development	45	1,095,608
International Finance Center Phase 2	Quanzhou	Commercial	34	148,804
Nan'an World City	Quanzhou	Residential and commercial	80	660,000
SCE Plaza	Quanzhou	Residential and commercial	60	297,529
Sunshine City	Quanzhou	Residential and commercial	100	137,902
Sapphire Boomtown Phases 3 & 4	Zhangzhou	Residential and commercial	100	208,688
Sapphire Boomtown	Longyan	Residential	100	267,240
Beijing Project	Beijing	Residential and commercial	100	38,195
Royal Spring City (excluding Phase 1)	Anshan	Residential and commercial	70	1,645,139
SCE International Community Phases 2 & 3	Linfen	Residential and commercial	90	485,878
Langfang Project	Langfang	Residential and commercial	55	424,777
Total				6,130,774

Properties completed in 2012

Construction of properties of approximately 0.47 million sq.m. was completed in 2012 as scheduled, details of which are set out as follows:

City	**Type of Property**	**Total GFA** *(sq.m.)*
Quanzhou	Residential and commercial	171,217
Xiamen	Residential and commercial	209,014
Zhangzhou	Residential and commercial	20,895
Other	Residential and commercial	64,911
Total		466,037

Land Bank

In 2012, we acquired five parcels of new land located in Xiamen, Quanzhou and Longyan, Fujian Province as well as Langfang, Hebei Province with an aggregate planned GFA of approximately 1.22 million sq.m. (planned GFA attributable to the Group approximately 0.88 million sq.m.) for a total consideration of approximately RMB2,263 million. The successful bidding for a residential land located in Longyan, Fujian Province represented a milestone step in our expansion into other parts of Fujian Province outside South Fujian.

As at 31 December 2012, the Group owned a land bank with an aggregate planned GFA of approximately 8.71 million sq.m. (planned GFA attributable to the Group approximately 6.06 million sq.m. in aggregate). From a geographic distribution perspective, the Group owned 24 projects spanning across 13 cities. Approximately 63% of the Group's land bank was located in the West Taiwan Strait Economic Zone, approximately 32% in the Bohai Rim Economic Zone, and the remaining 5% in Shenzhen in Pearl River Delta Economic Zone. We believe that our existing land bank will satisfy the Group's needs for development in the coming four to five years.

The Group has accelerated its business expansion on the back of our sufficient cash flow. We successfully bid two parcels of land located in Shishi, Quanzhou, Fujian Province and Nanchang, Jiangxi Province with an aggregate planned GFA of approximately 0.42 million sq.m. in January and February 2013 respectively for a total consideration of approximately RMB958 million. In particular, the acquisition of the land in Nanchang, Jiangxi Province was a pilot trail in developing the Group's business into the Pan West Taiwan Strait Economic Zone.

OUTLOOK

Signals of intensifying the effects of macro-control on the property market have been sent repeatedly by the PRC government since the end of 2012. In the State Council Executive Meeting dated 20 February 2013 hosted by Premier Wen Jiabao, the PRC government expressed its determination to implement The Five New Measures to strengthen control over the property market by reiterating its desire to curtail house purchases for speculation and investment, fine-tuning the home purchase quota policy and implementing differential housing credit policies, expressly stating a general direction of non-relaxation of macro-control on the property market.

It is noteworthy that the PRC government aims at establishing an effective and long-term system for a healthy development of the property market by setting up a comprehensive regulatory regime for the property market, allowing more housing demand for self-use, instead of speculative or investment demand, will be satisfied. In addition, urbanization in China will generate constant demand for housing, and sustainable economic growth will stimulate demand for improved housing, suggesting that China's property market will undergo a long-term growth cycle. Under these circumstances, property developers are facing pressure brought about by the policies, while ample market opportunities are being provided. Therefore, property developers have to cautiously gauge the industry trends and seize any opportunities for development.

We are of the view that the policies of macro-control on the property market, though, will be implemented by the PRC government on a long-term and on-going basis, the active promotion of "urbanization" by China's new leaders will prolong the moderate recovery of China's property market since the second half of 2012. Leveraging our own strengths on development, we are cautiously optimistic about our prospects. We also, as always, prudently adjust our operating strategy which is regarded as the foundation of our business development.

It is our practice to cautiously expand the Group's land bank. Our national development strategy of "firming its foothold in the West Taiwan Strait Economic Zone, expanding into the Bohai Rim Economic Zone and paying attention to the Pearl River Delta Economic Zone" will not be altered in the foreseeable future, and expansion into other potential regions will be carried out prudently supported by adequate market research. In respect of strategy for project development, we will adjust our product mix in due course according to market demand, and moderately increase the ratio in products for rigid demand with higher turnover rate, so as to accelerate cash flow.

We truly believe that profitability enhancement could only be achieved by pursuing quality as well as building brand awareness on the base of high quality. We insist on no compromise on the quality of our products, and endeavor to maintain a balance between quality and speed of construction cycle, so as to ensure our ability to develop business on an ongoing basis.

As a property developer focusing on quality with sound financial measures implemented, the Group is well-prepared for such sophisticated operating environment. We move forward with confidence into a better position, laying a strong foundation for the Group's future development.

FINANCIAL REVIEW

Revenue

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

The annual revenue decreased by approximately 3.5% from approximately RMB3,770,348,000 in 2011 to approximately RMB3,636,658,000 in 2012, which was attributable to the decrease in property sales income.

- **Sale of properties**

  Income from property sales decreased by approximately 4.3% from approximately RMB3,680,800,000 in 2011 to approximately RMB3,522,162,000 in 2012, which was mainly due to the decrease in delivered area from approximately 553,990 sq.m. in 2011 to approximately 404,442 sq.m. in 2012, despite the increase in average unit selling price from approximately RMB6,644 per sq.m. in 2011 to approximately RMB8,709 per sq.m. in 2012.

- **Rental income**

  Rental income increased by approximately 11.3% from approximately RMB58,721,000 in 2011 to approximately RMB65,356,000 in 2012, which was mainly attributable to the increase in rental income from the shopping mall of World City in Beijing.

- **Property management income**

  Property management income increased by approximately 59.4% from approximately RMB30,827,000 in 2011 to approximately RMB49,140,000 in 2012, which was mainly attributable to the increase in number and floor area of properties under management.

Cost of Sales

Cost of sales increased by approximately 5.6% from approximately RMB2,227,639,000 in 2011 to approximately RMB2,352,023,000 in 2012. The increase in cost of sales was mainly attributable increase in unit land cost and construction cost.

Gross Profit

Gross profit decreased by approximately 16.7% from approximately RMB1,542,709,000 in 2011 to approximately RMB1,284,635,000 in 2012. Gross profit margin decreased from approximately 40.9% in 2011 to approximately 35.3% in 2012. The decrease in gross profit margin was attributable to the increase in unit land cost and construction cost in 2012.

Other Income and Gains

Other income and gains decreased by approximately 9.3% from approximately RMB107,617,000 in 2011 to approximately RMB97,627,000 in 2012. The decrease in other income and gains was mainly attributable to the decrease in interest income and income from the provision of construction services.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties increased by approximately 9.6% from approximately RMB348,361,000 in 2011 to approximately RMB381,754,000 in 2012. The increase in the fair value of investment properties was mainly attributable to the addition of the shopping mall of Fortune Plaza • World City into investment properties.

Selling and Marketing Expenses

Selling and marketing expenses decreased by approximately 21.7% from approximately RMB130,807,000 in 2011 to approximately RMB102,389,000 in 2012. The decrease in selling and marketing expenses was mainly attributable to the decrease in the number of projects launched for pre-sale. The selling and marketing expenses in 2012 accounted for only approximately 1.7% of total contracted sales amount in 2012, when compared to that of approximately 2.9% in 2011.

Administrative Expenses

Administrative expenses increased by approximately 26.9% from approximately RMB204,129,000 in 2011 to approximately RMB259,016,000 in 2012. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs due to employment of additional management personnel and operating expenses to cope with the needs of business expansion, as well as the donation of RMB20,000,000 to Xiamen University.

Finance Costs

Finance costs decreased by approximately 18.2% from approximately RMB130,872,000 in 2011 to approximately RMB107,052,000 in 2012. Finance costs mainly represented borrowing costs of partial senior notes which have not been capitalized as such proceeds were not used for project development.

Income Tax Expense

Income tax expense decreased by approximately 33.8% from approximately RMB590,874,000 in 2011 to approximately RMB391,073,000 in 2012. The decrease in income tax expense was mainly due to less provision for land appreciation tax made in 2012 as a result of decrease in gross profits of delivered projects.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent decreased by approximately 6.1% from approximately RMB715,757,000 in 2011 to approximately RMB672,003,000 in 2012, which was mainly attributable to the decrease in net profit margin of projects delivered in 2012. Earnings per share decreased by approximately 6.1% from RMB25.1 cents in 2011 to RMB23.6 cents in 2012.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2012, the Group's cash and bank balances were approximately RMB3,128,290,000 (31 December 2011: approximately RMB2,079,362,000), of which approximately RMB2,373,094,000 (31 December 2011: approximately RMB2,002,463,000) was denominated in RMB, approximately RMB15,454,000 (31 December 2011: approximately RMB10,703,000) was denominated in Hong Kong dollars and approximately RMB739,742,000 (31 December 2011: approximately RMB66,196,000) was denominated in US dollars.

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 loans from Hong Kong's banks. As at 31 December 2012, the amount of restricted cash and pledged deposits were approximately RMB678,069,000 (31 December 2011: approximately RMB191,884,000) and approximately RMB173,000,000 (31 December 2011: Nil), respectively.

Borrowings and Pledged Assets

As at 31 December 2012, the balances of the Group's bank and other borrowings and senior notes amounted to approximately RMB3,760,300,000 (31 December 2011: approximately RMB3,126,933,000) and approximately RMB3,195,049,000 (31 December 2011: approximately RMB1,953,506,000), respectively. Of the bank and other borrowings, approximately RMB2,111,571,000 (31 December 2011: approximately RMB1,406,736,000) was repayable within one year, approximately RMB1,266,898,000 (31 December 2011: approximately RMB1,382,690,000) was repayable in the second year and approximately RMB381,831,000 (31 December 2011: approximately RMB321,590,000) was repayable within three to five years. No balance (31 December 2011: approximately RMB15,917,000) was repayable after five years. The senior notes issued in 2011 and the 2012 Senior Notes were for a term of five years and, unless early redeemed, will mature on 14 January 2016 and 14 November 2017, respectively.

As at 31 December 2012, approximately RMB3,760,300,000 (31 December 2011: approximately RMB3,126,933,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of RMB7,708,590,000 (31 December 2011: approximately RMB7,295,629,000) and capital stocks of certain subsidiaries. The senior notes issued in 2011 and the 2012 Senior Notes were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 31 December 2012, except for certain bank borrowings of approximately RMB493,727,000 (31 December 2011: approximately RMB31,432,000) and the 2012 Senior Notes of approximately RMB1,228,886,000 (31 December 2011: Nil) which were denominated in Hong Kong dollars and US dollars, respectively, all the Group's bank and other borrowings were denominated in Renminbi. The senior notes issued in 2011 were denominated in Renminbi but have been swapped into US dollars by the various cross currency swap contracts entered into by the Group in the current year.

As at 31 December 2012, the Group's bank borrowings bore interest at floating interest rates, while other borrowings, the senior notes issued in 2011 and the 2012 Senior Notes bore interest at fixed interest rates.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (bank and other borrowings including the senior notes issued in 2011 and the 2012 Senior Notes after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 31 December 2012, the net gearing ratio was 55.3% (31 December 2011: 50.7%).

Exchange Rate Fluctuation Exposures

The majority of the Group's income, expenses, bank deposits and bank and other borrowings are denominated in Renminbi. Save as certain bank deposits, bank borrowings and the 2012 Senior Notes which were denominated in foreign currencies, exchange rate changes of Renminbi against other currencies will not have a material adverse effect on the operation of the Group. In addition, the Group had entered into various cross currency swap contracts in current period in order to manage foreign currency risk arising from retranslation of the RMB2 billion senior notes issued in 2011 held by the Company.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group provided financial guarantees to the banks in respect of the following items:

	2012	2011
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	**2,877,392**	2,338,262

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

	2012	2011
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	**75,804**	17,802

CAPITAL COMMITMENTS

As at 31 December 2012, the capital commitments of the Group were as follows:

	2012	2011
	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	**2,759,219**	1,960,821

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

	2012	2011
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development and prepaid land lease payments	**54,056**	219,931

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2012, the Group had a total of 1,600 employees (2011: 1,436 employees). The total cost of employees was approximately RMB115,002,000 (2011: approximately RMB99,430,000). 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 forthcoming annual general meeting (the "**Annual General Meeting**") of the Company will be held on 16 May 2013. 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.

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 Thursday, 16 May 2013, the register of members of the Company will be closed from Monday, 13 May 2013 to Thursday, 16 May 2013, 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 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, Hong Kong not later than 4:30 p.m. on Friday, 10 May 2013.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 6 January 2010 in compliance with Rule 3.21 of the Listing Rules. As required, the Audit Committee 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 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 2012 and this annual results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 strictly complied 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 ended 31 December 2012.

CORPORATE GOVERNANCE

During the year ended 31 December 2012, the Company and the Board have been in compliance with the code provisions of the Corporate Governance Code (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.

Under Paragraph A.6.7 of the Code, independent non-executive directors and other non-executive directors should also attend general meetings. Under Paragraph E.1.2 of the Code, chairman of the board committees should attend the annual general meeting. Due to other business engagements, Mr. Lu Hong Te (an independent non-executive Director) and Mr. Dai Yiyi (an independent non-executive Director and the chairman of the remuneration committee of the Board), could not attend the annual general meeting of the Company held on 10 May 2012 (the "**2012 AGM**"). However, there were other executive Directors, non-executive Director and independent non-executive Director (namely, Mr. Ting Leung Huel Stephen, a member of the remuneration committee of the Board) present at the 2012 AGM to enable the Board to develop a balanced understanding of the views of shareholders of the Company and to answer questions raised at the 2012 AGM.

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 2012 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, 27 March 2013

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 and Mr. Huang Youquan; and the independent non-executive Directors are Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi.