

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

FINANCIAL HIGHLIGHTS

- Contracted sales amount increased by approximately 8.7% to approximately RMB5,605,205,000 and contracted sales area increased by approximately 53.6% to 629,565 sq.m..
- Revenue decreased by approximately 42.3% to approximately RMB2,148,488,000.
- Gross profit margin increased to 38.6% from 33.2% for the corresponding period in 2013.
- Profit for the period decreased by approximately 26.8% to approximately RMB444,337,000.
- Profit attributable to owners of the parent decreased by approximately 36.9% to approximately RMB314,601,000.
- Cash and bank balances amounted to approximately RMB3,759,286,000 as at 30 June 2014.
- Net gearing ratio was 80.0% as at 30 June 2014.

The board (the “**Board**”) of directors (the “**Directors**”) of China SCE Property Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2014

		Six months ended 30 June	
	<i>Notes</i>	2014	2013
		(Unaudited)	(Unaudited)
		RMB’000	RMB’000
REVENUE	4	2,148,488	3,722,512
Cost of sales		<u>(1,319,583)</u>	<u>(2,486,693)</u>
Gross profit		828,905	1,235,819
Other income and gains	4	24,415	34,620
Changes in fair value of investment properties		268,800	203,484
Selling and marketing expenses		(118,344)	(69,064)
Administrative expenses		(162,519)	(135,086)
Finance costs	5	(75,246)	(158,820)
Share of profits and losses of:			
Joint ventures		(4,471)	12,162
Associates		<u>48</u>	<u>(84)</u>
PROFIT BEFORE TAX	6	761,588	1,123,031
Income tax expense	7	<u>(317,251)</u>	<u>(516,099)</u>
PROFIT FOR THE PERIOD		<u>444,337</u>	<u>606,932</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (Continued)**
For the six months ended 30 June 2014

	<i>Note</i>	Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Changes in fair value of derivative financial instruments		(24,259)	34,849
Reclassification adjustments for exchange gains/(losses) included in the profit or loss		<u>46,299</u>	<u>(34,461)</u>
		22,040	388
Share of other comprehensive loss of joint ventures		(5,911)	(208)
Share of other comprehensive income/(loss) of associates		(12)	8
Exchange differences on translation of foreign operations		<u>(88,611)</u>	<u>47,567</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<u>(72,494)</u>	<u>47,755</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>371,843</u></u>	<u><u>654,687</u></u>
Profit attributable to:			
Owners of the parent		314,601	498,310
Holders of perpetual capital instrument		14,150	–
Non-controlling interests		<u>115,586</u>	<u>108,622</u>
		<u><u>444,337</u></u>	<u><u>606,932</u></u>
Total comprehensive income attributable to:			
Owners of the parent		264,206	538,221
Holders of perpetual capital instrument		14,150	–
Non-controlling interests		<u>93,487</u>	<u>116,466</u>
		<u><u>371,843</u></u>	<u><u>654,687</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			(Restated)
	9		
Basic and diluted		<u><u>RMB9.2 cents</u></u>	<u><u>RMB14.6 cents</u></u>

Details of the dividend for the period are disclosed in note 8 to this results announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	<i>Notes</i>	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment		144,183	154,712
Investment properties		4,253,700	4,012,400
Prepaid land lease payments		3,514,812	2,671,226
Intangible asset		4,069	4,153
Properties under development		1,602,205	1,464,333
Contract in progress		478,643	441,202
Investments in joint ventures		480,507	130,889
Investments in associates		53,412	53,376
Prepayments and deposits		769,756	1,539,239
Derivative financial instruments		75,722	99,981
Deferred tax assets		182,876	155,871
Total non-current assets		11,559,885	10,727,382
CURRENT ASSETS			
Properties under development		10,986,448	8,024,674
Completed properties held for sale		1,906,165	2,289,127
Trade receivables	10	137,820	166,810
Prepayments, deposits and other receivables		1,631,904	1,204,030
Due from related parties		574,776	17,401
Prepaid income tax		319,563	134,232
Restricted cash		454,559	1,000,670
Pledged deposits		146,432	65,000
Cash and cash equivalents		3,158,295	3,299,604
Total current assets		19,315,962	16,201,548
CURRENT LIABILITIES			
Trade payables	11	1,100,345	1,255,128
Receipts in advance		5,798,520	4,502,166
Other payables and accruals		1,043,257	1,534,301
Interest-bearing bank and other borrowings		3,214,007	2,409,326
Due to related parties		309,848	235,863
Tax payable		734,943	659,557
Total current liabilities		12,200,920	10,596,341
NET CURRENT ASSETS		7,115,042	5,605,207

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*30 June 2014*

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NET CURRENT ASSETS	7,115,042	5,605,207
TOTAL ASSETS LESS CURRENT LIABILITIES	18,674,927	16,332,589
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	4,145,358	3,157,212
Senior notes	4,189,520	4,132,756
Deferred tax liabilities	582,458	520,491
Provision for major overhauls	24,691	19,923
Total non-current liabilities	8,942,027	7,830,382
Net assets	9,732,900	8,502,207
EQUITY		
Equity attributable to owners of the parent		
Issued capital	295,732	295,732
Reserves	5,707,480	5,443,274
	6,003,212	5,739,006
Perpetual capital instrument	873,000	–
Non-controlling interests	2,856,688	2,763,201
Total equity	9,732,900	8,502,207

NOTES:

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The principal activities of the Group are described in note 3 below.

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> — <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> — <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of the new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. 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 4 below.

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

During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

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

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000
Revenue			
Sale of properties		2,068,158	3,651,008
Gross rental income		42,081	36,275
Property management fees		38,249	35,229
		<u>2,148,488</u>	<u>3,722,512</u>
Other income and gains			
Bank interest income		18,213	18,986
Foreign exchange gains, net	6	–	10,438
Gain on disposal of items of property and equipment, net		85	–
Others		6,117	5,196
		<u>24,415</u>	<u>34,620</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank and other borrowings and senior notes wholly repayable within five years	510,615	368,492
Increase in a discounted amount of provision for major overhauls arising from the passage of time	480	369
Loss on derivative financial instruments	9,444	10,128
Total interest expense on financial liabilities not at fair value through profit or loss	520,539	378,989
Less: Interest capitalised	(445,293)	(220,169)
	75,246	158,820

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of properties sold	1,292,729	2,464,298
Cost of services provided	26,770	22,312
Depreciation	14,785	13,003
Amortisation of land lease payments	19,756	27,454
Amortisation of an intangible asset	84	83
Employee benefit expense (including directors' remuneration):		
Salaries and other staff costs	78,173	54,324
Pension scheme contributions	10,731	9,795
Less: Amount capitalised	(34,132)	(22,899)
	54,772	41,220
Gain on disposal of items of property and equipment, net	(85)	–
Exchange differences arising from retranslation of senior notes	(46,299)	34,461
Less: Reclassification from hedging reserve as a result of cash flow hedges	46,299	(34,461)
Net exchange differences arising from retranslation of senior notes	–	–
Other foreign exchange differences, net	28,110	(10,438)
Exchange differences, net	28,110	(10,438)

7. 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 period (six months ended 30 June 2013: 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.

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		
Current charge for the period:		
PRC corporate income tax	175,002	253,860
PRC land appreciation tax	107,287	265,761
	282,289	519,621
Deferred tax	34,962	(3,522)
Total tax charge for the period	317,251	516,099

During the six months ended 30 June 2014, the share of tax charge attributable to joint ventures and associates amounting to RMB2,965,000 (six months ended 30 June 2013: RMB9,360,000) and RMB5,000 (six months ended 30 June 2013: RMB7,000), respectively, are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

8. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interim — Nil (six months ended 30 June 2013: HK6 cents per ordinary share)	—	135,783

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 3,423,840,000 (six months ended 30 June 2013: 3,423,840,000, as restated) in issue, as adjusted retrospectively to reflect the bonus issue in 2013.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. 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 receivables balances. All trade receivables are non-interest-bearing.

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Neither past due nor impaired	73,403	166,034
1 to 6 months past due	1,013	196
7 to 12 months past due	62,107	–
Over 1 year past due	1,297	580
	<u>137,820</u>	<u>166,810</u>

11. TRADE PAYABLES

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 1 year	1,072,218	1,226,721
Over 1 year	28,127	28,407
	<u>1,100,345</u>	<u>1,255,128</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

After vigorous development in 2013, the real estate market in the PRC experienced downturn in the first half of 2014. During the period, overheating development in real estate sector in certain cities began to slow down with decrease in transaction volume; and property developers in certain third and fourth tier cities in excess of supply were facing increasing pressure in selling out inventories. Furthermore, the tightening of bank credits also limited the transaction volume in real estate market to certain extent, and brought some financing pressure on developers.

In respect of the macro-economic control policies, the central government gradually eased fiscal measures by relying more on market mechanism. No policy relating to macro-economic control has been further issued by the central government during the period, while local governments have been authorized with more power to determine control measures appropriate to their own real estate market. In order to stimulate transaction volume, some local governments started to loosen its “housing purchase restriction” policies.

During the reporting period, the Group still achieved relatively satisfying operating results amid the challenging environment by making reasonable adjustments to its development direction and pace in close response to market development.

BUSINESS OVERVIEW

Property Sales

For the six months ended 30 June 2014, the Group recognized revenue from property sales of approximately RMB2.068 billion, representing a decrease of approximately 43.4% as compared to approximately RMB3.651 billion in the corresponding period of 2013; and recognized delivered area of 156,097 sq.m., representing a substantial drop of approximately 65.6% as compared to 454,293 sq.m. in the corresponding period of 2013.

Despite the overall decline of market condition, the Group was still able to achieve relatively satisfying sales performance through proactive strategic adjustments including accelerating launch of new projects and adopting flexible pricing strategy. For the six months ended 30 June 2014, the Group and its joint ventures realized a contracted sales area of 629,565 sq.m. (including contracted sales area of 58,105 sq.m. from joint ventures) and contracted sales amount of approximately RMB5.605 billion (including contracted sales amount of approximately RMB767 million from joint ventures), representing an increase of approximately 53.6% and 8.7% respectively as compared to the corresponding period last year.

During the reporting period, the Group had 20 projects on sale in 11 cities, among which, 5 projects were newly launched for sales, namely Sunshine Park Phase 1 in Jinjiang, Part B of Gold Coast Phase 1 in Shishi, Sapphire Boomtown Phase 3 in Zhangzhou, Sapphire Boomtown Phase 1 in Nanchang and Sunshine City Phase 1 in Shenzhen. The distribution of contracted sales by cities realized by the Group and its joint ventures is set out below:

City	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)
Shenzhen	30,641	363
Nanchang	15,740	144
Xiamen	54,778	716
Quanzhou ¹	295,097	2,633
Zhangzhou	184,030	1,440
Others	49,279	309
Total	629,565	5,605

¹ Refers to Greater Quanzhou, including Quanzhou, Shishi, Jinjiang and Nan'an.

Property Development

Properties under development

As at 30 June 2014, the Group had 20 properties under development with an aggregate planned GFA of approximately 4.13 million sq.m., among which, 5 projects were newly commenced construction during the period, namely SCE Mall in Quanzhou, Sapphire Residences in Jinjiang, Gold Coast Phase 2 in Shishi, Sapphire Boomtown Phase 3 in Zhangzhou and Sapphire Boomtown in Nanchang. Details of the properties under development are set out below:

Name of Project	City	Type of Property	Percentage of Interest Attributable to the Group (%)	Total Planned GFA (sq.m.)	Expected Year of Completion
Sunshine City Phase 1	Shenzhen	High-rise residential and retail shops	63	268,331	2015
Sapphire Boomtown	Nanchang	High-rise residential, villas and retail shops	100	301,225	2015/2016
Fortune Plaza • Marina Bay	Quanzhou	High-rise residential and retail shops	58	233,151	2014
The Regent	Quanzhou	High-rise residential, office and retail shops	34	256,196	2014
Sunshine City	Quanzhou	High-rise residential, SOHO apartments and retail shops	100	137,902	2015
SCE Mall	Quanzhou	High-rise residential, SOHO apartments, office, fruit wholesale market and retail shops	60	251,290	2016
Gold Coast Phase 1 (High-rise portion)	Shishi	High-rise residential and SOHO apartments	45	287,744	2014/2015
Gold Coast Phase 2	Shishi	SOHO apartments and retail shops	45	77,045	2015
The Prestige	Shishi	High-rise residential and retail shops	100	111,972	2015
SCE Mall	Shishi	High-rise residential, SOHO apartments, office and retail shops	60	297,529	2015/2016
Sunshine Park Phase 1	Jinjiang	High-rise residential and retail shops	51	232,643	2015
Sapphire Residences	Jinjiang	High-rise residential and retail shops	100	163,885	2016
Sunshine Town Phase 2	Nan'an	High-rise residential and retail shops	100	220,229	2015
Parkview Bay	Nan'an	High-rise residential and retail shops	80	215,332	2015/2016
Sapphire Boomtown Phase 2	Zhangzhou	High-rise residential, SOHO apartments and retail shops	100	163,033	2014
Sapphire Boomtown Phase 3	Zhangzhou	High-rise residential, SOHO apartments, office and retail shops	100	206,938	2016
Sunshine City Phase 1	Zhangzhou	High-rise residential and retail shops	70	242,820	2015
Sapphire Boomtown	Longyan	High-rise residential	100	267,240	2015
Royal Spring City • Spring Villa (Except Zone A)	Anshan	Villas and retail shops	70	135,534	2015
SCE International Community Phase 2	Linfen	High-rise residential and retail shops	100	55,674	2015
Total				4,125,713	

Save for the aforesaid projects, as at 30 June 2014, the joint ventures of the Group had 2 projects which were also under construction, namely Haicang Vanke Dream Town in Xiamen and Purple Lake International Golf Villa in Jinjiang with an aggregate planned GFA of approximately 0.57 million sq.m..

Properties held for future development

As at 30 June 2014, the Group had a land bank with an aggregate planned GFA of approximately 4.87 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 Center	Beijing	Office	100	38,195
The Prestige	Shanghai	High-rise residential, villas and retail shops	100	77,628
Fortune Plaza • Imperial Terrace	Quanzhou	High-rise residential, SOHO apartments, office, hotel and retail shops	58	267,634
International Finance Center	Quanzhou	High-rise residential, SOHO apartments, office and retail shops	34	148,804
SCE Commercial Center	Quanzhou	High-rise residential and retail shops	100	253,926
Gold Coast (Except Phases 1 & 2)	Shishi	Residential, commercial and tourism related integrated development	45	814,647
Sunshine Park Phase 2	Jinjiang	High-rise residential and retail shops	51	134,264
World City	Nan'an	SOHO apartments, office, shopping mall and retail shops	80	444,668
Sunshine City Phase 2	Zhangzhou	High-rise residential and retail shops	70	186,496
Sunshine City	Langfang	High-rise residential and retail shops	55	424,777
Royal Spring City (Except Phase 1)	Anshan	High-rise residential, SOHO apartments, hotel and retail shops	70	1,645,139
SCE International Community (Except Phases 1 & 2)	Linfen	High-rise residential and retail shops	100	430,204
Total				4,866,382

Save for the aforesaid projects, the Group also holds 50.1% equity interests in SCE Plaza located in Shanghai Hongqiao Central Business District. The project, with a planned GFA of approximately 0.4 million sq.m., will be developed into a commercial and office integrated complex.

Land Bank

It is the Group's policy to expand land bank on a prudent basis. During the reporting period, the Group acquired two parcels of land in Quanzhou and Jinjiang of Fujian Province, with an aggregate planned GFA of approximately 0.39 million sq.m. (the aggregate planned GFA attributable to the Group was approximately 0.32 million sq.m.), for a total consideration of approximately RMB829 million (the consideration attributable to the Group was approximately RMB726 million).

As at 30 June 2014, the Group owned a land bank with an aggregate planned GFA of approximately 9.70 million sq.m. (the aggregate planned GFA attributable to the Group was approximately 6.88 million sq.m.), with a total of 30 projects distributed over 15 cities. In addition, as at 30 June 2014, the three projects of the joint ventures of the Group, namely SCE Plaza in Shanghai, Haicang Vanke Dream Town in Xiamen and Purple Lake International Golf Villa in Jinjiang, owned a land bank with an aggregate planned GFA of approximately 1.26 million sq.m. (the aggregate planned GFA attributable to the Group was approximately 0.41 million sq.m.). In terms of geographic distribution, as at 30 June 2014, approximately 66.3% of the Group's land bank (including aforesaid joint ventures' projects) was located in the West Taiwan Strait Economic Zone, approximately 25.4% of which was located in the Bohai Rim Economic Zone, approximately 4.4% of which was located in Shanghai in the Yangtze River Delta Economic Zone, and the remaining approximately 3.9% was located in Shenzhen in the Pearl River Delta Economic Zone. The management believes that the Group's existing land bank is sufficient to satisfy its needs for development in the coming three to four years.

Investment Property

In order to strengthen the Group's ability to withstand market risks, the Group has always proactively explored diversified property investment portfolio. The shopping mall of Fortune Plaza • World City in Quanzhou has officially commenced operation in the first half of 2014. It is another large shopping mall owned by the Group after World City in Beijing. The management believes the mall will reward the Group with steady and satisfying rental income. During the period, the Group's rental income after business tax was approximately RMB42.08 million, representing a year-on-year increase of approximately 16.0%. In the coming future, the management will prudently increase investment properties in prime locations, such as International Finance Center in Quanzhou and Fortune Center in Beijing, in order to gradually increase rental income and bring about stable appreciation from these properties. The management believes that adequately increasing the proportion of investment properties is an effective way to disperse the Group's operating risks and to enhance its capability of development and management in commercial properties.

Property Management

The management has been dedicated to property management for a long period of time. Fujian Cippon Taihe Property Management Co., Ltd. (福建世邦泰和物業管理有限公司) (“**Cippon Taihe**”) of the Group has obtained the China Level 1 Certificate for property management, and all the projects developed by the Group are centrally managed by Cippon Taihe under standardized criterion. Currently, Cippon Taihe has a total of 1,139 staff specializing in property management and managing properties with an area of over 3 million sq.m.. During the period, the Group’s management fee income after business tax was approximately RMB38.25 million, representing a year-on-year increase of approximately 8.6%. The management believes that efficient property management will not only promise comfortable living environment for property owners in after-sale stage, but will also increase the appreciation potential of properties, which in turn enhances customers’ acknowledgement towards the Company, solidifies the established brand effects and boosts property sales in the future.

OUTLOOK

The management believes that the replacement of fiscal measures with the market mechanism will lead the real estate market to a more sound development. The adjustments and consolidation being experienced by the real estate industry are also beneficial for the industry to resume its rational growth. As Mainland China is in the stage of acceleration of urbanization, huge rigid and improved housing demands resulting from such urbanization cannot be overlooked. The management believes that with the passing of a depressed market conditions, the real estate market in the PRC will experience a relatively long time of release of rigid demand and will resume to its normal growth momentum. The management is confident on the prospects of the real estate market and future development of the Group.

For the second half of 2014, the Group will continue to facilitate the progress of various businesses.

Project Development Plans

Projects Planned for Pre-sale

In the second half of 2014, the Group expects to launch 5 new projects for pre-sale, namely SCE Mall in Quanzhou, Gold Coast Phase 2 in Shishi, Sunshine City Phase 2 in Zhangzhou, Sunshine City Phase 1 in Langfang and SCE International Community Phase 3 in Linfen. Together with the unsold portions of projects previously launched, the aggregate area available for pre-sale of the Group in the second half of 2014 amounts to approximately 1.40 million sq.m.. While further consolidating the Group’s market share in Fujian Province, the Group believes that the contracted sales amount contributed by regions out of Fujian Province will increase substantially during the year.

Projects Planned for Commencement

In the second half of 2014, the Group expects to kick off 6 projects, namely The Prestige in Shanghai, Fortune Plaza • Imperial Terrace and International Finance Center in Quanzhou, Sunshine City Phase 2 in Zhangzhou, SCE International Community Phase 3 in Linfen and Sunshine City Phase 1 in Langfang, with an aggregate planned GFA of approximately 1.00 million sq.m..

In addition to the aforesaid projects, SCE Plaza in Shanghai Hongqiao District, with 50.1% of its equity interests held by the Group, also plans to commence construction in the second half of 2014.

Projects Planned for Completion

The Group expects 5 projects to be completed throughout 2014, namely The Prestige (high-rise portion) in Xiamen, Fortune Plaza • Marina Bay and The Regent in Quanzhou, Gold Coast Phase 1 (high-rise portion) in Shishi and Sapphire Boomtown Phase 2 in Zhangzhou. It is expected to realize completed properties with an aggregate area of approximately 0.89 million sq.m..

Business Strategy

The Group is well prepared to deal with the challenges arising from uncertain market conditions in the second half of the year. While maintaining the Group's market share in Fujian Province, the Group will also promote business development in provinces other than Fujian. As for land bank, the Group will acquire sufficient premium land resources in first and second tier cities based on its financial position and market conditions. As for marketing strategy, the Group will seek for more flexible sales strategies in response to the latest market conditions, targeting to achieve higher sell-through rate and cash collection rate. As for corporate finance, the Group will implement a prudent and sound financial strategy, strictly exercise control over cash flows and net gearing ratio, and strive to extend the average maturity profile of borrowings. In relation to product research and development, the Group will focus more on designs that cater for market demands including rigid demands and those for purpose of housing improvement. In relation to product quality, the Group will stick to its principle of "quality is the priority" to consolidate the established brand effects as it always deems product quality as essential for its development.

All the efforts the Group makes are solely to identify the development model that best serves itself; and the only purpose is to maximize the returns to its shareholders and all the investors.

FINANCIAL REVIEW

Revenue

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

The revenue decreased by approximately 42.3% from approximately RMB3,722,512,000 in the first half of 2013 to approximately RMB2,148,488,000 in the first half of 2014, which was attributable to the significant decrease in property sales income.

- **Sale of properties**

Income from property sales decreased by approximately 43.4% from approximately RMB3,651,008,000 in the first half of 2013 to approximately RMB2,068,158,000 in the first half of 2014, which was mainly due to the significant decrease in delivered area of approximately 65.6% from approximately 454,293 sq.m. in the first half of 2013 to approximately 156,097 sq.m. in the first half of 2014, despite the increase in average unit selling price from approximately RMB8,037 per sq.m. in the first half of 2013 to approximately RMB13,249 per sq.m. in the first half of 2014.

- **Rental income**

Rental income increased by approximately 16.0% from approximately RMB36,275,000 in the first half of 2013 to approximately RMB42,081,000 in the first half of 2014, which was mainly attributable to the increase in rental income from the shopping mall of World City in Beijing as well as rental income from the shopping mall of Fortune Plaza • World City in Quanzhou which was newly opened in May.

- **Property management income**

Property management income increased by approximately 8.6% from approximately RMB35,229,000 in the first half of 2013 to approximately RMB38,249,000 in the first half of 2014, which was mainly attributable to the increase in number and floor area of properties under the management of the Group.

Cost of Sales

Cost of sales decreased by approximately 46.9% from approximately RMB2,486,693,000 in the first half of 2013 to approximately RMB1,319,583,000 in the first half of 2014. The decrease in cost of sales was mainly attributable to the significant decrease in the delivered area.

Gross Profit

Gross profit decreased by approximately 32.9% from approximately RMB1,235,819,000 in the first half of 2013 to approximately RMB828,905,000 in the first half of 2014. Gross profit margin increased from approximately 33.2% in the first half of 2013 to approximately 38.6% in the first half of 2014. The increase in gross profit margin was attributable to the increase in average unit selling price and higher proportion of high-end products with relatively higher gross profit margin delivered during the period.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties increased by approximately 32.1% from approximately RMB203,484,000 in the first half of 2013 to approximately RMB268,800,000 in the first half of 2014. The increase in the fair value of investment properties was mainly attributable to the value appreciation of the shopping malls of Fortune Plaza • World City in Quanzhou and World City in Beijing.

Selling and Marketing Expenses

Selling and marketing expenses increased by approximately 71.4% from approximately RMB69,064,000 in the first half of 2013 to approximately RMB118,344,000 in the first half of 2014. The increase in selling and marketing expenses was mainly attributable to the increase in the number of projects newly launched for pre-sale.

Administrative Expenses

Administrative expenses increased by approximately 20.3% from approximately RMB135,086,000 in the first half of 2013 to approximately RMB162,519,000 in the first half of 2014. The increase in administrative expenses was mainly attributable to the exchange loss arising from depreciation of Renminbi against Hong Kong dollars.

Finance Costs

Finance costs decreased significantly by approximately 52.6% from approximately RMB158,820,000 in the first half of 2013 to approximately RMB75,246,000 in the first half of 2014. Finance costs mainly represented borrowing costs of partial senior notes which have not been capitalized as such proceeds were not used for project developments.

Income Tax Expense

Income tax expense decreased significantly by approximately 38.5% from approximately RMB516,099,000 in the first half of 2013 to approximately RMB317,251,000 in the first half of 2014. The significant decrease in income tax expense was mainly due to decrease in profit before tax as a result of decrease in revenue during the period.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent decreased by approximately 36.9% from approximately RMB498,310,000 in the first half of 2013 to approximately RMB314,601,000 in the first half of 2014, which was mainly attributable to the decrease in revenue. Earnings per share decreased by approximately 36.9% from RMB14.6 cents in the first half of 2013 to RMB9.2 cents in the first half of 2014.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2014, the Group's cash and bank balances were approximately RMB3,759,286,000 (31 December 2013: approximately RMB4,365,274,000), of which approximately RMB3,477,433,000 (31 December 2013: approximately RMB4,071,169,000) was denominated in RMB, approximately RMB82,555,000 (31 December 2013: approximately RMB22,613,000) was denominated in Hong Kong dollars and approximately RMB199,298,000 (31 December 2013: approximately RMB271,492,000) 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 banks in Hong Kong. As at 30 June 2014, the amount of restricted cash and pledged deposits were approximately RMB454,559,000 (31 December 2013: approximately RMB1,000,670,000) and approximately RMB146,432,000 (31 December 2013: approximately RMB65,000,000), respectively.

Borrowings and Pledged Assets

As at 30 June 2014, the balances of the Group's bank and other borrowings and senior notes amounted to approximately RMB7,359,365,000 (31 December 2013: approximately RMB5,566,538,000) and approximately RMB4,189,520,000 (31 December 2013: approximately RMB4,132,756,000), respectively. Of the bank and other borrowings, approximately RMB3,214,007,000 (31 December 2013: approximately RMB2,409,326,000) was repayable within one year, approximately RMB2,548,858,000 (31 December 2013: approximately RMB2,427,212,000) was repayable in the second year and approximately RMB1,596,500,000 (31 December 2013: approximately RMB730,000,000) was repayable within three to five years. The senior notes of RMB2 billion at a coupon rate of 10.5% due 2016 issued in January 2011 (the **"2011 Senior Notes"**) and the senior notes of US\$350 million at a coupon rate of 11.5% due 2017 issued in November 2012 and January 2013 (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 30 June 2014, approximately RMB7,359,365,000 (31 December 2013: approximately RMB5,566,538,000) 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 approximately RMB13,590,977,000 (31 December 2013: approximately RMB10,979,835,000), and capital stocks of certain subsidiaries. The 2011 Senior Notes and the 2012 Senior Notes were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 30 June 2014, except for certain bank and other borrowings of approximately RMB732,659,000 (31 December 2013: approximately RMB210,821,000) which were denominated in Hong Kong dollars and certain bank and other borrowings of approximately RMB504,559,000 (31 December 2013: approximately RMB121,808,000) and the 2012 Senior Notes of approximately RMB2,208,048,000 (31 December 2013: approximately RMB2,156,656,000) which were denominated in US dollars, all the Group's bank and other borrowings were denominated in Renminbi. The 2011 Senior Notes were denominated in Renminbi but have been swapped into US dollars by the various cross currency swap contracts entered into by the Group in 2012.

As at 30 June 2014, except for certain bank and other borrowings of approximately RMB2,941,000,000 (31 December 2013: approximately RMB2,789,085,000) bearing interest at fixed interest rate, all the Group's bank and other loans bear interest at floating interest rate. As at 30 June 2014 and 31 December 2013, the 2011 Senior Notes and the 2012 Senior Notes bear interest at fixed interest rate.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, the 2011 Senior Notes and the 2012 Senior Notes after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 30 June 2014, the net gearing ratio was 80.0% (31 December 2013: 62.7%).

Exchange Rate Fluctuation Exposures

The majority of the Group's income, expenses, bank deposits and bank and other borrowings are denominated in Renminbi. Save for 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 2012 in order to manage foreign currency risk arising from retranslation of the 2011 Senior Notes held by the Company.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group provided financial guarantees to the banks in respect of the following items:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	<u>4,134,706</u>	<u>4,645,945</u>

In addition, the Group's share of the joint ventures' own financial guarantees, which are not included in the above, is as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures' properties	<u>404,771</u>	<u>332,591</u>

CAPITAL COMMITMENTS

As at 30 June 2014, the capital commitments of the Group were as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Contracted, but not provided for: Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China	<u>5,663,456</u>	<u>5,711,876</u>

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
---	---

Contracted, but not provided for:

Capital expenditure for joint ventures' properties
under development in Mainland China

247,221	197,969
----------------	----------------

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2014, the Group had a total of 2,357 employees (31 December 2013: 1,972 employees). During the period under review, the total cost of employees was approximately RMB88,904,000 (six months ended 30 June 2013: approximately RMB64,119,000). The Group provides 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.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2014, the Company and the Board had 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 Rule A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period, Mr. Wong Chiu Yeung performed his duties as both the chairman and the chief executive officer of the Company. The Board believes that serving by the same individual as chairman and chief executive officer during the stage of rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

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. The 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.

During the period under review, the Audit Committee oversaw the entire financial reporting process and the internal control measures; discussed the accounting principles and policies adopted by the Group together with the management and the external auditors; and reviewed the unaudited interim condensed financial statements for the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend in respect of the six months ended 30 June 2014.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.sce-re.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The 2014 interim report of the Group containing the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Company and of the Hong Kong Stock Exchange in due course.

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

Hong Kong, 19 August 2014

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.