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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 179.0% to approximately RMB5,994,613,000.
- Gross profit increased by 105.0% to approximately RMB1,699,274,000.
- Profit for the period increased by approximately 131.9% to approximately RMB1,030,594,000.
- Core profit margin increased to 13.3% from 11.3% in the corresponding period of 2014.
- Profit attributable to owners of the parent increased by approximately 100.0% to approximately RMB629,296,000.
- Basic earnings per share increased to approximately RMB18.4 cents.
- The Board declared an interim dividend of HK5 cents per share.
- Cash and bank balances amounted to approximately RMB3,328,067,000 as at 30 June 2015.
- Net gearing ratio was 62.0% as at 30 June 2015.

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 2015, together with the comparative figures for the corresponding period in 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
	Notes	**2015**	2014
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	*4*	**5,994,613**	2,148,488
Cost of sales		**(4,295,339)**	(1,319,583)
Gross profit		**1,699,274**	828,905
Other income and gains	*4*	**34,625**	24,415
Changes in fair value of investment properties		**308,469**	268,800
Selling and marketing expenses		**(138,237)**	(118,344)
Administrative expenses		**(135,563)**	(162,519)
Finance costs	*5*	**(145,404)**	(75,246)
Exchange differences arising from retranslation of senior notes, net	*6*	**(1,200)**	–
Share of profits and losses of:			
Joint ventures		**36,862**	(4,471)
Associates		**101**	48
PROFIT BEFORE TAX	*6*	**1,658,927**	761,588
Income tax expense	*7*	**(628,333)**	(317,251)
PROFIT FOR THE PERIOD		**1,030,594**	444,337

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015	2014
		(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)
Reclassification adjustments for exchange gains included in the profit or loss		**–**	46,299
		–	22,040
Share of other comprehensive income/(loss) of joint ventures		**259**	(5,911)
Share of other comprehensive loss of associates		**–**	(12)
Exchange differences on translation of foreign operations		**2,267**	(88,611)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**2,526**	(72,494)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,033,120**	371,843
Profit attributable to:			
Owners of the parent		**629,296**	314,601
Holders of perpetual capital instruments		**124,198**	14,150
Non-controlling interests		**277,100**	115,586
		1,030,594	444,337
Total comprehensive income attributable to:			
Owners of the parent		**631,424**	264,206
Holders of perpetual capital instruments		**124,198**	14,150
Non-controlling interests		**277,498**	93,487
		1,033,120	371,843
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**RMB18.4 cents**	RMB9.2 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	**30 June 2015 (Unaudited)** ***RMB'000***	31 December 2014 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**124,312**	133,463
Investment properties		**5,270,200**	4,801,200
Prepaid land lease payments		**2,653,915**	2,345,797
Intangible asset		**3,903**	3,986
Properties under development		**2,028,997**	1,635,932
Contract in progress		**598,863**	566,286
Investments in joint ventures		**533,815**	506,365
Investments in associates		**54,248**	54,148
Prepayments and deposits		**387,676**	698,356
Deferred tax assets		**242,959**	210,338
Total non-current assets		**11,898,888**	10,955,871
CURRENT ASSETS			
Properties under development		**11,174,043**	12,244,971
Completed properties held for sale		**6,319,485**	3,337,454
Trade receivables	*10*	**99,484**	101,050
Prepayments, deposits and other receivables		**1,821,363**	1,887,760
Due from related parties		**1,091,592**	851,822
Prepaid income tax		**372,069**	331,986
Restricted cash		**662,650**	871,469
Pledged deposits		**286,400**	327,008
Cash and cash equivalents		**2,379,017**	3,533,681
Total current assets		**24,206,103**	23,487,201
CURRENT LIABILITIES			
Trade and bills payables	*11*	**2,628,080**	1,512,823
Receipts in advance		**6,087,459**	6,572,830
Other payables and accruals		**1,245,324**	1,125,341
Interest-bearing bank and other borrowings		**3,443,075**	3,699,883
Senior notes		**1,963,709**	–
Due to related parties		**378,824**	352,537
Tax payable		**986,871**	920,210
Total current liabilities		**16,733,342**	14,183,624
NET CURRENT ASSETS		**7,472,761**	9,303,577
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,371,649**	20,259,448

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
30 June 2015

	30 June 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,371,649**	20,259,448
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,625,432**	4,334,910
Senior notes	**2,200,740**	4,192,220
Deferred tax liabilities	**760,882**	693,718
Provision for major overhauls	**28,765**	24,842
Total non-current liabilities	**6,615,819**	9,245,690
Net assets	**12,755,830**	11,013,758
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**295,732**	295,732
Reserves	**6,700,498**	6,249,356
	6,996,230	6,545,088
Perpetual capital instruments	**2,373,000**	1,173,000
Non-controlling interests	**3,386,600**	3,295,670
Total equity	**12,755,830**	11,013,758

NOTES:

1. BASIS OF PREPARATION

The Company is 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 2014.

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 2014, 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.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs

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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**5,879,658**	2,068,158
Gross rental income	**57,088**	42,081
Property management fees	**57,867**	38,249
	5,994,613	2,148,488
Other income and gains		
Bank interest income	**20,548**	18,213
Gain on disposal of items of property and equipment, net	**163**	85
Others	**13,914**	6,117
	34,625	24,415

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank and other borrowings and senior notes wholly repayable within five years	**542,911**	510,615
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**600**	480
Loss on derivative financial instruments	**–**	9,444
Total interest expense on financial liabilities not at fair value through profit or loss	**543,511**	520,539
Less: Interest capitalised	**(398,107)**	(445,293)
	145,404	75,246

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of properties sold	**4,235,608**	1,292,729
Cost of services provided	**59,648**	26,770
Depreciation	**14,669**	14,785
Amortisation of land lease payments	**16,800**	19,756
Amortisation of an intangible asset	**83**	84
Employee benefit expense (including directors' remuneration):		
Salaries and other staff costs	**89,236**	78,173
Pension scheme contributions	**12,726**	10,731
Less: Amount capitalised	**(38,118)**	(34,132)
	63,844	54,772
Gain on disposal of items of property and equipment, net	**(163)**	(85)
Exchange differences arising from retranslation of senior notes	**1,200**	(46,299)
Less: Reclassification from hedging reserve as a result of cash flow hedges	**–**	46,299
Exchange differences arising from retranslation of senior notes, net	**1,200**	–
Other foreign exchange differences, net	**15**	28,110
Exchange differences, net	**1,215**	28,110

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 2014: 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group:		
Current charge for the period:		
PRC corporate income tax	**441,567**	175,002
PRC land appreciation tax	**149,205**	107,287
Underprovision in prior years		
Mainland China	**3,018**	–
	593,790	282,289
Deferred tax	**34,543**	34,962
Total tax charge for the period	**628,333**	317,251

During the six months ended 30 June 2015, the share of tax charge attributable to joint ventures amounting to RMB2,919,000 (six months ended 30 June 2014: RMB2,965,000) and the share of tax charge attributable to associates was nil (six months ended 30 June 2014: RMB5,000), 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interim — HK5 cents (six months ended 30 June 2014: Nil) per ordinary share	**137,052**	–

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 2014: 3,423,840,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2015 and 2014 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 2015 (Unaudited) ***RMB'000***	31 December 2014 (Audited) *RMB'000*
Neither past due nor impaired	**80,605**	100,465
1 to 6 months past due	**15,604**	125
7 to 12 months past due	**2,473**	–
Over 1 year past due	**802**	460
	99,484	101,050

11. TRADE AND BILLS PAYABLES

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

	30 June 2015 (Unaudited) ***RMB'000***	31 December 2014 (Audited) *RMB'000*
Within 1 year	**2,579,846**	1,480,977
Over 1 year	**48,234**	31,846
	2,628,080	1,512,823

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

As at 30 June 2015, certain bills payable of the Group with an aggregate amount of RMB67,801,000 (31 December 2014: RMB59,674,000) were secured by certain time deposits of the Group.

12. EVENTS AFTER THE REPORTING PERIOD

(i) On 2 July 2015, the Group issued senior notes at a coupon rate of 10% due 2020 in the aggregate principal amount of US$350,000,000 at a price of 99.041% of the principal amount. The Group raised net proceeds of approximately US$342,400,000 (after deduction of underwriting discount and commissions and other expenses).

(ii) On 26 June 2015, the Company had informed the trustee of the senior notes at a coupon rate of 10.5% due 2016 issued in January 2011 (the "**2011 Senior Notes**") that all outstanding 2011 Senior Notes of RMB1.97 billion would be redeemed in full on 25 July 2015 (the "**Redemption Date**") at a redemption price equal to 102.625% of the principal amount thereof, plus accrued and unpaid interest, to (but not including) the Redemption Date. Upon redemption of the 2011 Senior Notes on the Redemption Date, all the redeemed 2011 Senior Notes were cancelled.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2015, the PRC real estate market has enjoyed benefits in multiple aspects as the Central Bank had repeatedly cut the Renminbi deposit and loan benchmark interest rates and the deposit reserve ratios. In addition, the People's Bank of China, the Ministry of Housing and Urban-Rural Development and the China Banking Regulatory Commission jointly issued the "Notice of the Relevant Issues Regarding Individuals' Housing Loan Policy" (關於個人住房貸款政策有關問題的通知), which aims to decrease the finance costs of homebuyers, to support a reasonable housing demand and therefore to relieve the downward pressure on the PRC's economic growth. The combination of loosening of credit policies and policy-based incentives has helped release the rigid demand for housing and stimulated overall housing demand. According to the data from the National Bureau of Statistics, in the first half of 2015, the gross floor area ("GFA") of commodity housing sold in the PRC was 502.64 million sq.m.; representing a year-on-year increase of 3.9%, of which the GFA of residential housing sold increased by 4.5%. The sales of commodity housing were RMB3,425.9 billion; representing a year-on-year increase of 10.0%, of which the sales of residential housing increased by 12.9%.

BUSINESS OVERVIEW

Property Sales

For the six months ended 30 June 2015, the Group recognized revenue from property sales of approximately RMB5.880 billion, representing a sharp increase of approximately 184.3% as compared to approximately RMB2.068 billion in the corresponding period of 2014; and recognized delivered area of 783,497 sq.m., representing a substantial increase of approximately 401.9% as compared to 156,097 sq.m. in the corresponding period of 2014.

In terms of contracted sales, for the six months ended 30 June 2015, the Group and its joint ventures realized a contracted sales area of 660,630 sq.m. (including a contracted sales area of 26,430 sq.m. from joint ventures) and a contracted sales amount of approximately RMB5.412 billion (including a contracted sales amount of approximately RMB357 million from joint ventures), representing an increase of approximately 4.9% and a decrease of approximately 3.4% respectively as compared to the corresponding period last year. The average selling price of properties was RMB8,193 per sq.m. during the period.

During the reporting period, the Group had 27 projects on sale in nine cities, among which, one project was newly launched for sale, Sapphire Residences in Quanzhou. The distribution of contracted sales by cities realized by the Group and its joint ventures during the period is set out below:

City	Contracted Sales Area *(sq.m.)*	Contracted Sales Amount *(RMB Million)*
Shenzhen	44,230	619
Xiamen	25,441	325
Nanchang	78,505	588
Quanzhou	220,028	1,741
Zhangzhou	102,474	769
Langfang	87,239	794
Others	102,713	576
Total	**660,630**	**5,412**

Property Development

As at 30 June 2015, the Group and its joint ventures had 19 properties under development at various stages with an aggregate planned GFA of approximately 3.30 million sq.m., among which, two projects were newly commenced construction during the period, namely Sunshine Park Phase 2 in Quanzhou and SCE International Community Phase 4 in Linfen. Details of the properties under development as at 30 June 2015 are set out below:

Project Name	City	Type of Property	Percentage of Interest Attributable to the Group (%)	Total Planned GFA (sq.m.)	Expected Year of Completion
The Prestige	Shanghai	High-rise residential, villas and retail shops	100	78,402	2017
SCE Plaza (Phase 1)	Shanghai	Office and retail shops	50	219,650	2016
Sunshine City (Phase 1)	Shenzhen	High-rise residential and retail shops	82	212,973	2015
Haicang Vanke Dream Town (Phases 2-5)	Xiamen	High-rise residential and retail shops	12	379,098	2015–2017
Sapphire Boomtown (High-rise portion)	Nanchang	High-rise residential and retail shops	100	286,320	2016
SCE Mall	Quanzhou	High-rise residential, SOHO apartments, office, fruit wholesale market and retail shops	60	251,290	2016
Gold Coast (Phase 1) (Partial)	Quanzhou	High-rise residential and retail shops	45	124,276	2016
Gold Coast (Phase 2)	Quanzhou	SOHO apartments and retail shops	45	77,045	2015
SCE Mall (Phase 2) (Shishi)	Quanzhou	High-rise residential, SOHO apartments and retail shops	60	142,978	2016
Sunshine Park (Phase 2)	Quanzhou	High-rise residential and retail shops	51	129,613	2017
Sapphire Residences	Quanzhou	High-rise residential and retail shops	100	163,885	2017
Purple Lake International Golf Villa (Partial)	Quanzhou	Low-rise residential and villas	49	56,081	2015
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	85	157,706	2015
Sunshine City (Phase 2)	Zhangzhou	High-rise residential and retail shops	85	180,239	2016
Sunshine City (Phase 1)	Langfang	High-rise residential and retail shops	55	241,346	2016
Royal Spring City • Spring Villa (Except Zone A)	Anshan	Villas and retail shops	70	135,534	2015
SCE International Community (Phase 3)	Linfen	High-rise residential and retail shops	70	81,822	2016
SCE International Community (Phase 4)	Linfen	High-rise residential and retail shops	70	173,003	2017
Total				**3,298,199**	

Land Bank

During the reporting period, the Group did not acquire any additional land. As at 30 June 2015, the Group and its joint ventures had a land bank with an aggregate planned GFA of approximately 9.49 million sq.m. (the aggregate planned GFA attributable to the Group was approximately 6.41 million sq.m.), with a total of 30 projects distributed over 11 cities. In July 2015, the Group acquired a parcel of land in Tianjin with an aggregate above-ground planned GFA of approximately 120,000 sq.m. at a consideration of RMB602 million.

In terms of project development stages, apart from the abovementioned properties under development of approximately 3.30 million sq.m., the Group's land bank also included completed investment properties of approximately 240,000 sq.m., completed properties held for sale of approximately 1.26 million sq.m, an aggregate planned GFA of approximately 4.61 million sq.m. held for future development and an aggregate planned GFA of approximately 80,000 sq.m. under an executed framework agreement. As for geographic distribution, approximately 60.4% of the Group's land bank (including the projects of its joint ventures) was located in the West Taiwan Strait Economic Zone, approximately 28.8% in the Bohai Rim Economic Zone, approximately 6.9% in the Yangtze River Delta Economic Zone, and approximately 3.9% 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.

Financial Strategy

By proactively capitalizing on the international financing platform since the listing of the shares of the Company on the Hong Kong Stock Exchange, the Group has carefully followed its step-by-step strategy to provide a solid financing foundation for its continuous development. In terms of finance, the Group has always committed itself to maintaining sufficient cash flow, thereby keeping the net gearing ratio at a relatively healthy level. In July 2015, the Company successfully issued the 10.0% senior notes due 2020 in the principal amount of US$350 million. The proceeds raised from the issuance were used for refinancing certain existing indebtedness, including redemption of outstanding senior notes issued in 2011 in the principal amount of RMB1.97 billion.

OUTLOOK

A string of policies and measures successively introduced by the central and local governments to adjust and stimulate the real estate market have begun to take effect, and the looser credit policy has also spurred the demand of first-time homebuyers as well as home upgraders. Therefore, it is believed that the expected transformation in the market will boost homebuyer's confidence. The Group expects the whole real estate market to continue reviving in the second half of 2015, especially in the first-tier and second-tier cities.

In the second half of 2015, the Group will fully facilitate the development of various businesses as planned.

Project Development

Planned pre-sale

In the second half of 2015, the Group and its joint ventures expect to launch six new projects for pre-sale, namely The Prestige, SCE Plaza Phase 1 and Marina Bay in Shanghai, Sunshine Park Phase 2 in Quanzhou, Sunshine City Phase 2 in Langfang and SCE International Community Phase 4 in Linfen. The three projects located in Shanghai will contribute considerable contracted sales to the Group, thereby providing the Group with a solid basis for achieving the established sales target for the full year. Together with the unsold portions of projects previously launched, the aggregate area available for pre-sale of the Group in the second half of 2015 amounts to approximately 1.34 million sq.m..

Planned commencement

In the second half of 2015, the Group expects to officially commence six projects, namely Polaris in Beijing, Marina Bay in Shanghai, Sunshine City Phase 2 in Shenzhen, SCE Plaza in Quanzhou, Sunshine City Phase 3 in Zhangzhou and Sunshine City Phase 2 in Langfang, with an aggregate planned GFA of approximately 840,000 sq.m..

Planned completion

The Group and its joint ventures expects 14 projects to be completed throughout 2015, namely Sunshine City Phase 1 in Shenzhen, Haicang Town Phase 2 and Phase 5 in Xiamen, Sapphire Boomtown (villa portion) in Nanchang, Sunshine Town Phase 2, SCE Mall Phase 1 (Shishi), The Prestige (Shishi), Gold Coast Phase 2, Sunshine City, Parkview Bay and Sunshine Park Phase 1 in Quanzhou, Sunshine City Phase 1 in Zhangzhou, Sapphire Boomtown in Longyan, Royal Spring City • Spring Villa (except Zone A) in Anshan and SCE International Community Phase 2 in Linfen. These projects are expected to realize completed properties with an aggregate GFA of approximately 2.31 million sq.m..

Business Strategy

As for regional strategy, the Group is confident it can continuously maintain its leading position and higher market presence in the real estate market within Fujian Province during the next few years. Meanwhile, we believe that the room for growth in the markets in first-tier and quality second-tier cities cannot be neglected due to a large population migration and the limited market supply. By leveraging its successful experience in the development of the market in Fujian, the Group has gradually initiated its development strategy across Fujian Province with a focus on first-tier and quality second-tier cities as its growth objective.

As for its land bank, the Group will adhere to the principle of prudent land expansion to seek premium land resources in first-tier and second-tier cities at a reasonable costs in the second half of 2015. In its marketing strategy, the Group will set relatively reasonable prices for products based on the real-time analysis on market trends per its usual practice, and implement a flexible sales strategy tailored to local market conditions, aimed at increasing the sell-through rate and cash collection rate as the priority targets. The Group will continue its prudent and sound financial management strategy, proactively expand its financing pipeline, decrease the net gearing ratio and average borrowing costs, and prolong the average loan maturity period. As for product strategy, the Group has established a clear-cut and functionally complementary product system and proactively adjusted its product lines anticipating the changes in market environment in a bid to achieve the optimum balance between a higher profit margin and a faster turnover rate.

FINANCIAL REVIEW

Revenue

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

The revenue increased by approximately 179.0% from approximately RMB2,148,488,000 in the first half of 2014 to approximately RMB5,994,613,000 in the first half of 2015, which was attributable to the significant increase in property sales income.

- **Sale of properties**

  Income from property sales increased by approximately 184.3% from approximately RMB2,068,158,000 in the first half of 2014 to approximately RMB5,879,658,000 in the first half of 2015, which was mainly due to the significant increase in delivered area of approximately 401.9% from approximately 156,097 sq.m. in the first half of 2014 to approximately 783,497 sq.m. in the first half of 2015, despite the decrease in average unit selling price from approximately RMB13,249 per sq.m. in the first half of 2014 to approximately RMB7,504 per sq.m. in the first half of 2015.

- **Rental income**

  Rental income increased by approximately 35.7% from approximately RMB42,081,000 in the first half of 2014 to approximately RMB57,088,000 in the first half of 2015, which was mainly attributable to the increase in contribution of rental income from shopping mall of Fortune Plaza • World City in Quanzhou.

- **Property management fees**

  Property management fees increased by approximately 51.3% from approximately RMB38,249,000 in the first half of 2014 to approximately RMB57,867,000 in the first half of 2015, 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 increased by approximately 225.5% from approximately RMB1,319,583,000 in the first half of 2014 to approximately RMB4,295,339,000 in the first half of 2015. The increase in cost of sales was mainly attributable to the significant increase in the delivered area of properties.

Gross Profit

Gross profit increased by approximately 105.0% from approximately RMB828,905,000 in the first half of 2014 to approximately RMB1,699,274,000 in the first half of 2015. Gross profit margin decreased from approximately 38.6% in the first half of 2014 to approximately 28.3% in the first half of 2015. The decrease in gross profit margin was attributable to the delivery of more mid-end products.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties increased by approximately 14.8% from approximately RMB268,800,000 in the first half of 2014 to approximately RMB308,469,000 in the first half of 2015. The increase in the fair value of investment properties was mainly attributable to the value appreciation of the shopping mall of World City in Beijing and the addition of retail shops and office building of SCE Mall in Quanzhou.

Selling and Marketing Expenses

Selling and marketing expenses increased by approximately 16.8% from approximately RMB118,344,000 in the first half of 2014 to approximately RMB138,237,000 in the first half of 2015. The increase in selling and marketing expenses was mainly attributable to substantial increase in marketing and brand publicity activities. The ratio of selling and marketing expenses to revenue decreased from 5.5% in the first half of 2014 to 2.3% in the first half of 2015 due to the effective cost control of the Group.

Administrative Expenses

Administrative expenses decreased by approximately 16.6% from approximately RMB162,519,000 in the first half of 2014 to approximately RMB135,563,000 in the first half of 2015. The decrease in administrative expenses was mainly attributable to the inclusion of the exchange loss of approximately RMB28,110,000 in the first half of 2014.

Finance Costs

Finance costs increased by approximately 93.2% from approximately RMB75,246,000 in the first half of 2014 to approximately RMB145,404,000 in the first half of 2015. 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 increased significantly by approximately 98.1% from approximately RMB317,251,000 in the first half of 2014 to approximately RMB628,333,000 in the first half of 2015. The significant increase in income tax expense was mainly due to increase in profit before tax as a result of significant increase in revenue of properties sales during the period.

Profit for the Period

Profit for the period increased significantly by approximately 131.9% from approximately RMB444,337,000 in the first half of 2014 to approximately RMB1,030,594,000 in the first half of 2015, which was mainly attributable to the significant increase in revenue of properties sales. The core profit margin increased by 2.0 percentage points from 11.3% in the first half of 2014 to 13.3% in the first half of 2015.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased significantly by approximately 100.0% from approximately RMB314,601,000 in the first half of 2014 to approximately RMB629,296,000 in the first half of 2015, which was mainly attributable to the significant increase in revenue of properties sales. Earnings per share increased by approximately 100.0% from RMB9.2 cents in the first half of 2014 to RMB18.4 cents in the first half of 2015. The core profit attributable to owners of the parent increased significantly by 197.9% to approximately RMB474,965,000 in the first half of 2015.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2015, the Group's cash and bank balances denominated in different currencies are set out below:

	30 June 2015 (Unaudited) ***RMB'000***	31 December 2014 (Audited) *RMB'000*
Renminbi	**3,301,780**	4,348,630
Hong Kong dollars	**15,302**	74,617
US dollars	**10,985**	308,911
Total cash and bank balances	**3,328,067**	4,732,158

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 and certain bills issued from banks in the PRC. As at 30 June 2015, the amount of restricted cash and pledged deposits were approximately RMB662,650,000 (31 December 2014: approximately RMB871,469,000) and approximately RMB286,400,000 (31 December 2014: approximately RMB327,008,000), respectively.

Borrowings and Pledged Assets

The maturity of the borrowings of the Group as at 30 June 2015 is as follows:

	30 June 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Bank and other borrowings:		
Within one year or on demand	**3,443,075**	3,699,883
In the second year	**2,497,331**	2,917,500
In the third to fifth years, inclusive	**1,128,101**	1,417,410
	7,068,507	8,034,793
Senior notes:		
Within one year	**1,963,709**	–
In the second year	**–**	1,987,179
In the third to fifth years, inclusive	**2,200,740**	2,205,041
	4,164,449	4,192,220
Total borrowings	**11,232,956**	12,227,013

The borrowings denominated in different currencies are set out below:

	30 June 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Bank and other borrowings:		
Renminbi	**5,619,991**	6,551,724
Hong Kong dollars	**730,597**	728,623
US dollars	**717,919**	754,446
	7,068,507	8,034,793
Senior notes:		
Renminbi	**1,963,709**	1,987,179
US dollars	**2,200,740**	2,205,041
	4,164,449	4,192,220
Total borrowings	**11,232,956**	12,227,013

As at 30 June 2015, approximately RMB6,505,899,000 (31 December 2014: approximately RMB7,475,455,000) of bank and other borrowings were 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 RMB14,599,202,000 (31 December 2014: approximately RMB13,785,002,000), and capital stocks of certain subsidiaries. The 2011 Senior Notes, 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**") and approximately RMB562,608,000 (31 December 2014: approximately RMB559,338,000) of bank and other borrowings were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 30 June 2015, except for certain bank and other borrowings of approximately RMB2,789,000,000 (31 December 2014: approximately RMB3,322,912,000) bearing interest at fixed interest rate, all the Group's bank and other borrowings bear interest at floating interest rate. As at 30 June 2015 and 31 December 2014, 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 2015, the net gearing ratio was 62.0% (31 December 2014: 68.0%).

Exchange Rate Fluctuation Exposures

The majority of the Group's income, expenses, bank deposits and bank and other borrowings as well as the 2011 Senior Notes were 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. No foreign currency hedging arrangement was made as at 30 June 2015. The Group will closely monitor its exposure to fluctuation in foreign currencies exchange rates.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group provided financial guarantees to the banks in respect of the following items:

	30 June 2015 (Unaudited) ***RMB'000***	31 December 2014 (Audited) *RMB'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	**8,456,953**	7,379,505

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 2015 (Unaudited) ***RMB'000***	31 December 2014 (Audited) *RMB'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures' properties	**383,378**	538,200

Furthermore, as at 30 June 2015, the Group provided guarantee to a bank in connection with a loan facility of RMB1,700,000,000 (31 December 2014: RMB1,700,000,000) granted to a joint venture.

CAPITAL COMMITMENTS

As at 30 June 2015, the capital commitments of the Group are as follows:

	30 June 2015 (Unaudited) ***RMB'000***	31 December 2014 (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	**3,970,750**	7,327,039

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 2015 (Unaudited) ***RMB'000***	31 December 2014 (Audited) *RMB'000*
Contracted, but not provided for:		
Capital expenditure for joint ventures' properties under development in Mainland China	**172,409**	267,635

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2015, the Group had a total of 2,527 employees (31 December 2014: 2,429 employees). During the period under review, the total cost of employees was approximately RMB101,962,000 (six months ended 30 June 2014: approximately RMB88,904,000). 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 2015, save as disclosed below, the Company and the Board had been in compliance with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules.

Under provision A.2.1 of the Code, the roles of the chairman and the chief executive 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 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. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman, Mr. Lu Hong Te and Mr. Dai Yiyi as members. Mr. Ting Leung Huel Stephen, the chairman of the Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules.

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 reviewed the unaudited interim condensed financial statements for the six months ended 30 June 2015.

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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK5 cents per ordinary share of the Company for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil). The interim dividend will be payable on or about 16 September 2015 to shareholders whose names appear on the register of members of the Company on 2 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 2 September 2015, when no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2015, 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 Tuesday, 1 September 2015.

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 2015 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, 17 August 2015

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.