# CHINA SCE GROUP HOLDINGS LIMITED

# 中駿集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1966)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

### FINANCIAL HIGHLIGHTS

- Contracted sales amount increased by 77.9% to approximately RMB37,028,294,000.
- Revenue increased by 10.7% to approximately RMB10,422,829,000.
- Profit for the period increased by 6.0% to approximately RMB2,194,020,000.
- Core profit attributable to owners of the parent increased by 28.9% to approximately RMB1,543,997,000.
- Gross profit margin was 28.9%.
- Cash and bank balances increased by 17.6% to approximately RMB23,496,986,000 as at 30 June 2019.
- Net gearing ratio was 66.2% as at 30 June 2019.
- The Board declared an interim dividend of HK10 cents per ordinary share.

The board (the "**Board**") of directors (the "**Directors**") of China SCE Group 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 2019, together with the comparative figures for the corresponding period in 2018, as follows:

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

*For the six months ended 30 June 2019*

| | Notes | Six months ended 30 June<br>**2019**<br>**(Unaudited)**<br>***RMB'000*** | <br>2018<br>(Unaudited)<br>*RMB'000* |
|---|---|---|---|
| **REVENUE** | *4* | **10,422,829** | 9,414,763 |
| Cost of sales | | **(7,412,249)** | (6,372,812) |
| Gross profit | | **3,010,580** | 3,041,951 |
| Other income and gains | *4* | **759,796** | 133,372 |
| Changes in fair value of investment properties, net | | **732,250** | 327,419 |
| Selling and marketing expenses | | **(231,294)** | (135,669) |
| Administrative expenses | | **(628,687)** | (424,503) |
| Finance costs | *5* | **(266,873)** | (258,724) |
| Share of profits and losses of: | | | |
| Joint ventures | | **(117,468)** | 552,716 |
| Associates | | **(16,668)** | (3,737) |
| **PROFIT BEFORE TAX** | *6* | **3,241,636** | 3,232,825 |
| Income tax expense | *7* | **(1,047,616)** | (1,163,495) |
| **PROFIT FOR THE PERIOD** | | **2,194,020** | 2,069,330 |
| **OTHER COMPREHENSIVE INCOME/(LOSS):** | | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | | |
| Share of other comprehensive loss of joint ventures | | **(53)** | (9,355) |
| Share of other comprehensive loss of associates | | **–** | (7) |
| Exchange differences on translation of foreign operations | | **(52,073)** | (142,262) |
| Release of other reserves upon deemed acquisition of subsidiaries | | **–** | 40,539 |
| Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods | | **(52,126)** | (111,085) |
| **OTHER COMPREHENSIVE LOSS FOR THE PERIOD** | | **(52,126)** | (111,085) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **2,141,894** | 1,958,245 |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)**
*For the six months ended 30 June 2019*

| | Note | Six months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | **(Unaudited)** | (Unaudited) |
| | | ***RMB'000*** | *RMB'000* |
| Profit attributable to: | | | |
| Owners of the parent | | **1,916,809** | 2,020,225 |
| Holders of perpetual capital instruments | | **31,850** | 26,542 |
| Non-controlling interests | | **245,361** | 22,563 |
| | | **2,194,020** | 2,069,330 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | **1,866,493** | 1,922,909 |
| Holders of perpetual capital instruments | | **31,850** | 26,542 |
| Non-controlling interests | | **243,551** | 8,794 |
| | | **2,141,894** | 1,958,245 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *9* | | |
| Basic | | **RMB46.5 cents** | RMB52.8 cents |
| Diluted | | **RMB45.6 cents** | RMB51.3 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2019*

| | *Notes* | **30 June 2019 (Unaudited)** *RMB'000* | 31 December 2018 (Audited) *RMB'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | | **794,038** | 680,784 |
| Investment properties | | **22,061,922** | 20,270,300 |
| Prepaid land lease payments | | **–** | 5,028,066 |
| Intangible asset | | **3,236** | 3,319 |
| Properties under development | | **14,466,442** | 2,730,414 |
| Contract in progress | | **333,702** | 326,907 |
| Investments in joint ventures | | **11,075,678** | 5,683,818 |
| Investments in associates | | **273,181** | 155,072 |
| Prepayments and other assets | | **3,646,963** | 3,836,906 |
| Deferred tax assets | | **536,023** | 561,628 |
| Total non-current assets | | **53,191,185** | 39,277,214 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **31,897,139** | 28,101,140 |
| Completed properties held for sale | | **5,740,030** | 3,242,502 |
| Trade receivables | *10* | **476,852** | 401,785 |
| Prepayments, other receivables and other assets | | **8,692,031** | 4,855,783 |
| Financial assets at fair value through profit or loss | | **649,079** | 642,440 |
| Due from related parties | | **4,602,824** | 4,009,493 |
| Prepaid income tax | | **1,175,436** | 987,603 |
| Restricted cash | | **3,990,308** | 4,409,592 |
| Pledged deposits | | **168,457** | 47,909 |
| Cash and cash equivalents | | **19,338,221** | 15,515,314 |
| Total current assets | | **76,730,377** | 62,213,561 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *11* | **12,598,400** | 8,347,133 |
| Other payables and accruals | | **16,866,938** | 9,929,465 |
| Contract liabilities | | **23,782,669** | 21,539,926 |
| Interest-bearing bank and other borrowings | | **9,169,169** | 10,537,381 |
| Derivative financial instruments | | **11,212** | 26,739 |
| Due to related parties | | **4,560,900** | 1,246,015 |
| Tax payable | | **2,708,150** | 2,599,736 |
| Total current liabilities | | **69,697,438** | 54,226,395 |
| **NET CURRENT ASSETS** | | **7,032,939** | 7,987,166 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **60,224,124** | 47,264,380 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**
*30 June 2019*

| | 30 June 2019 (Unaudited) *RMB'000* | 31 December 2018 (Audited) *RMB'000* |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank and other borrowings | **12,220,046** | 9,594,620 |
| Senior notes and domestic bonds | **18,965,717** | 13,205,644 |
| Lease liabilities | **176,486** | – |
| Deferred tax liabilities | **3,331,977** | 2,279,297 |
| Provision for major overhauls | **52,696** | 45,412 |
| Total non-current liabilities | **34,746,922** | 25,124,973 |
| Net assets | **25,477,202** | 22,139,407 |
| **EQUITY** | | |
| **Equity attributable to owners of the parent** | | |
| Issued capital | **356,466** | 353,077 |
| Reserves | **16,362,555** | 15,129,109 |
| | **16,719,021** | 15,482,186 |
| **Perpetual capital instruments** | **700,000** | 700,000 |
| **Non-controlling interests** | **8,058,181** | 5,957,221 |
| Total equity | **25,477,202** | 22,139,407 |

## 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 consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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 consolidated financial statements for the year ended 31 December 2018, 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 disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss 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 fully assessed and adopted, to the extent that is relevant to the Group, the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

| | |
|---|---|
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation* |
| HKFRS 16 | *Leases* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments* |
| *Annual Improvements 2015–2017 Cycle* | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

Except for HKFRS 16 *Leases* and Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*, other amendments and interpretations are applied for the first time in 2019, but do not have significant impact on the unaudited interim condensed consolidated financial statements.

The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)–Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)–Int 15 *Operating Leases — Incentives* and HK(SIC)–Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

**New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)–Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

**As a lessee — Leases previously classified as operating leases**

*Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

*Impact on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The current portion of lease liabilities were included in other payables and accruals whereas the non-current portion of lease liabilities were separately disclosed in the consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date and included in property and equipment and properties under development, as appropriate.

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The effect of adoption of HKFRS 16 as at 1 January 2019 is as follows:

| | **Increase/ (decrease)**<br>*RMB'000*<br>(Unaudited) |
|---|---|
| **Non-current assets** | |
| Property and equipment | 49,885 |
| Investment properties | 28,760 |
| Prepaid land lease payments | (5,028,066) |
| Properties under development | 5,028,066 |
| **Total assets** | 78,645 |
| **Current liabilities** | |
| Other payable and accruals | 18,657 |
| **Non-current liabilities** | |
| Lease liabilities | 59,988 |
| **Total liabilities** | 78,645 |

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

| | *RMB'000* |
|---|---|
| | (Unaudited) |
| Operating lease commitments as at 31 December 2018 | 62,599 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 8% |
| Discounted operating lease commitments at 1 January 2019 | 51,134 |
| Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 | (14,156) |
| Add: Present value of lease payment in optional extension periods not recognised as at 31 December 2018 | 41,667 |
| Lease liabilities as at 1 January 2019 | 78,645 |

**Summary of new accounting policies**

The accounting policy for leases as disclosed in the annual consolidated financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

*Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as properties under development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment properties, it is included in investment properties. The corresponding right-of-use assets initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

*Leases liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

The Group determines at the commencement date the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term liabilities*

The Group applies the short-term lease recognition exemption to short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's unaudited interim condensed consolidated financial statements.

## 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management, land development and project 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, land development segment and project management segment are combined 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers** | | |
| Sales of properties | **10,066,254** | 9,133,627 |
| Property management fees | **159,177** | 142,650 |
| Project management income | **64,006** | 63,409 |
| **Revenue from other sources** | | |
| Gross rental income | **133,392** | 75,077 |
| | **10,422,829** | 9,414,763 |

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Other income and gains** | | |
| Bank interest income | **81,724** | 24,259 |
| Gain on disposal of items of property and equipment, net | **76** | 10,179 |
| Fair value gain on financial assets at fair value through profit or loss, net | **–** | 2,440 |
| Fair value gain of derivative financial instruments — transactions not qualifying as hedges | **15,300** | 48,936 |
| Gain on deemed acquisition of subsidiaries | **–** | 3,182 |
| Gain on bargain purchase | **563,844** | – |
| Gain on disposal of a joint venture | **14,046** | – |
| Others | **84,806** | 44,376 |
| | **759,796** | 133,372 |

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Interest on bank and other borrowings, senior notes and domestic bonds | **1,406,794** | 911,125 |
| Interest on lease liabilities | **9,924** | – |
| Increase in a discounted amount of provision for major overhauls arising from the passage of time | **2,208** | 1,893 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **1,418,926** | 913,018 |
| Less: Interest capitalised | **(1,152,053)** | (654,294) |
| | **266,873** | 258,724 |

## 6. PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Cost of properties sold | **7,295,841** | 6,159,379 |
| Cost of services provided | **116,325** | 213,350 |
| Depreciation of property and equipment | **28,030** | 12,240 |
| Depreciation of right-of-use assets | **30,036** | – |
| Amortisation of land lease payments | **–** | 6,577 |
| Amortisation of an intangible asset | **83** | 83 |
| Employee benefit expenses (including directors' remuneration): | | |
| Salaries and other staff costs | **389,591** | 251,942 |
| Equity-settled share option expenses | **71,048** | 6,464 |
| Pension scheme contributions | **92,335** | 47,894 |
| Less: Amount capitalised | **(174,382)** | (132,251) |
| | **378,592** | 174,049 |
| Foreign exchange differences, net | **18,313** | 62,616 |
| Fair value gain of derivative financial instruments — transactions not qualifying as hedges | **(15,300)** | (48,936) |
| Fair value loss/(gain) of financial assets at fair value through profit or loss, net | **18,536** | (2,440) |
| Gain on disposal of items of property and equipment, net | **(76)** | (10,179) |
| Loss on disposal of an investment property | **–** | 8,230 |

## 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 2018: 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** | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Current charge for the period: | | |
| PRC corporate income tax | **685,072** | 620,088 |
| PRC land appreciation tax | **188,147** | 420,352 |
| Under-provision in prior years, net: | | |
| Mainland China | **18,176** | 40,266 |
| | **891,395** | 1,080,706 |
| Deferred | **156,221** | 82,789 |
| Total tax charge for the period | **1,047,616** | 1,163,495 |

## 8. DIVIDENDS

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Interim — HK10 cents (six months ended 30 June 2018: HK7 cents) per ordinary share | **362,770** | 225,993 |

## 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 4,123,576,711 (six months ended 30 June 2018: 3,823,840,000) in issue during the period.

The calculation of the diluted 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. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations | **1,916,809** | 2,020,225 |

| | Number of shares<br>Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **4,123,576,711** | 3,823,840,000 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Share options | **77,151,142** | 113,952,564 |
| Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation | **4,200,727,853** | 3,937,792,564 |

## 10. TRADE RECEIVABLES

The Group's trade receivables arise from the sales 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.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date and invoice date, is as follows:

| | **30 June 2019 (Unaudited) *RMB'000*** | 31 December 2018 (Audited) *RMB'000* |
|---|---|---|
| Current to 90 days | **469,866** | 393,387 |
| 91 to 180 days | **91** | 287 |
| 181 to 365 days | **–** | 9 |
| Over 365 days | **6,895** | 8,102 |
| | **476,852** | 401,785 |

## 11. TRADE AND BILLS PAYABLES

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

| | **30 June 2019 (Unaudited) *RMB'000*** | 31 December 2018 (Audited) *RMB'000* |
|---|---|---|
| Within 1 year | **12,403,220** | 8,208,575 |
| Over 1 year | **195,180** | 138,558 |
| | **12,598,400** | 8,347,133 |

The trade and bills payables are non-interest-bearing and normally repayable within 1 year or on demand.

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In the first half of 2019, the central government once again emphasised the general directions of "no speculation of residential properties" and "one city one policy" in the real estate market. Local governments adjusted their control policies according to their own market changes to ensure the steady and healthy development of the real estate market. In terms of monetary policy, the People's Bank of China adopted an easing monetary policy to stimulate economic growth, including lowering the deposit reserve ratio of financial institutions, clearly benefiting the real estate industry in the long run. Major cities may partially or completely lift the residence restrictions, bringing expectations for the needs of a new round of second-tier and strong third-tier cities. In the first half of 2019, the real estate market in major cities rebounded from the bottom. Although the recovery was not stable, the sales amount increased over last year. According to the data from the National Bureau of Statistics, in the first half of 2019, the sales amount of commodity housing amounted to approximately RMB7,069.8 billion, representing an increase of 5.6%, of which the sales amount of residential housing increased by 8.4%. The sales area of commodity housing sold in the PRC was approximately 758 million sq.m., representing a year-on-year decrease of 1.8%, of which the sales area of residential housing decreased by 1.0%.

## BUSINESS OVERVIEW

### Contracted Sales

In the six months ended 30 June 2019, the Group together with its joint ventures and associates achieved a contracted sales amount reaching approximately RMB37.028 billion (including the contracted sales amount of approximately RMB20.133 billion from joint ventures and associates), and contracted sales area was about 2.97 million sq.m. (including the contracted sales area of approximately 1.26 million sq.m. from the joint ventures and associates), representing a year-on-year growth of 77.9% and 80.3% respectively. The average selling price of properties during the period was RMB12,481 per sq.m. The Group actively adjusted its sales strategies to cope with the fluctuations experienced in the real estate market. The Group adopted flexible sales strategies to speed up sales and recover funds. The Group also launched new properties at the best timing in various second-tier and strong third- and fourth-tier cities, in order to maintain the Group's growth momentum.

In the first half of 2019, the Group together with its joint ventures and associates had an aggregate of over 100 projects for sale in 32 cities, mainly in second-tier and strong third-tier cities. Among which 20 projects were newly launched in the year, details of which are listed as follows:

| **City** | **Project Name** |
|---|---|
| Beijing | Royal River Villa |
| Tianjin | Polaris Bay |
| Tianjin | Wonderland Mile |
| Chongqing | Cloud View |
| Chongqing | Liberty Mountain |
| Chongqing | Mountain Mansions |
| Nanjing | Cloudview Pavilion |
| Nanjing | Times Mansion |
| Hangzhou | Parkview Palace |
| Wuxi | Luxury House |
| Xiamen | Central Park |
| Kunming | Cloud Valley |
| Linfen | SCE International Community Phase 5 |
| Jiaxing | Star City |
| Quanzhou | Century Mansion |
| Xuzhou | One Park Square |
| Xuzhou | Parkview Bay |
| Lianyungang | The Royal Bay |
| Zhangzhou | Cloudview Center |
| Shangqiu | Parkview Palace |

The contracted sales realised by the Group together with its joint ventures and associates during the period are set out below:

*By City*

| City | Contracted Sales Area *(sq.m.)* | Contracted Sales Amount *(RMB Million)* | Percentage of Contracted Sales Amount *(%)* |
|---|---|---|---|
| Beijing | 71,833 | 4,065 | 11.0 |
| Shenzhen | 56,388 | 1,870 | 5.1 |
| Chongqing | 588,303 | 5,173 | 14.0 |
| Tianjin | 116,181 | 1,971 | 5.3 |
| Nanjing | 131,936 | 2,388 | 6.4 |
| Hangzhou | 113,406 | 1,813 | 4.9 |
| Jinan | 108,168 | 1,443 | 3.9 |
| Jiaxing | 204,500 | 3,242 | 8.8 |
| Quanzhou | 353,327 | 2,848 | 7.7 |
| Xuzhou | 270,183 | 2,321 | 6.3 |
| Huizhou | 126,048 | 1,467 | 3.9 |
| Others | 826,417 | 8,427 | 22.7 |
| **Total** | **2,966,690** | **37,028** | **100.0** |

As the cities that the Group newly entered, especially Chongqing, Jiaxing and Xuzhou, further matured, the Group demonstrated its excellent sales performance by means of the realised contracted sales amounts amounting to approximately RMB5.173 billion, RMB3.242 billion and RMB2.321 billion respectively. Moreover, the Company also recorded satisfying sales performance in first-tier cities, including Beijing and Shenzhen, accounting for 11.0% and 5.1%, respectively, of the total contracted sales amount during the period.

*By Region*

| **Region** | **Contracted Sales Area** *(sq.m.)* | **Contracted Sales Amount** *(RMB Million)* | **Percentage of Contracted Sales Amount** *(%)* |
|---|---|---|---|
| Bohai Rim Economic Zone | 439,496 | 8,534 | 23.0 |
| West Taiwan Strait Economic Zone | 585,434 | 5,105 | 13.8 |
| Yangtze River Delta Economic Zone | 1,005,972 | 13,628 | 36.8 |
| Central Western Region | 735,013 | 5,982 | 16.2 |
| Guangdong — Hong Kong — Macao Greater Bay Area | 200,775 | 3,779 | 10.2 |
| **Total** | **2,966,690** | **37,028** | **100.0** |

Since the headquarters of the Group moved to Shanghai, the Group continued to further develop in the Yangtze River Delta Economic Zone. The proportion of contracted sales amount of the Group together with its joint ventures and associates in this region became the highest, which accounted for 36.8%, increasing by 3.8 times as compared with that of last year and reaching RMB13.628 billion. It was followed by the proportion of contracted sales amount in the Bohai Rim Economic Zone, amounting to 23.0% and reaching RMB8.534 billion. The contracted sales amount in the Central Western Region accounted for 16.2%, increasing by 30 times as compared with that of last year and amounting to RMB5.982 billion.

*By City Tier*

| **City Tier** | **Contracted Sales Area** *(sq.m.)* | **Contracted Sales Amount** *(RMB Million)* | **Percentage of Contracted Sales Amount** *(%)* |
|---|---|---|---|
| First-tier cities | 138,954 | 6,453 | 17.5 |
| Second-tier cities | 1,296,917 | 15,529 | 41.9 |
| Third- and fourth-tier cities | 1,530,819 | 15,046 | 40.6 |
| **Total** | **2,966,690** | **37,028** | **100.0** |

From the perspective of city tier, the Group continued to increase the launch of properties in the second-tier cities and strong third-tier cities. The contracted sales amounts continued to reach a new high, contributing 41.9% and 40.6% respectively. With the good sales performance, the contracted sales amounts in second-tier and third- and fourth-tier cities increased by 98.1% and 65.4%, respectively over last year, reaching RMB15.529 billion and RMB15.046 billion respectively.

**Recognised Property Sales Income**

During the period, the Group recognised a property sales income of approximately RMB10.066 billion and delivered property area of 943,545 sq.m., representing a year-on-year increase of 10.2% and 64.5%, respectively. The average selling price of properties was approximately RMB10,669 per sq.m. Details of the Group's recognised property sales income are as follows:

*By City*

| **City** | **Recognised Property Sales Area** *(sq.m.)* | **Recognised Property Sales Income** *(RMB Million)* | **Percentage of Recognised Property Sales Income** *(%)* |
|---|---|---|---|
| Beijing | 34,570 | 1,972 | 19.5 |
| Quanzhou | 285,459 | 3,249 | 32.3 |
| Linfen | 111,508 | 747 | 7.4 |
| Tianjin | 140,320 | 1,397 | 13.9 |
| Chongqing | 150,610 | 905 | 9.0 |
| Zhangzhou | 58,763 | 549 | 5.5 |
| Others | 162,315 | 1,247 | 12.4 |
| **Total** | **943,545** | **10,066** | **100.0** |

*By Region*

| **Region** | **Recognised Property Sales Area** *(sq.m.)* | **Recognised Property Sales Income** *(RMB Million)* | **Percentage of Recognised Property Sales Income** *(%)* |
|---|---|---|---|
| Bohai Rim Economic Zone | 323,214 | 4,659 | 46.3 |
| West Taiwan Strait Economic Zone | 363,932 | 3,950 | 39.2 |
| Central Western Region | 255,662 | 1,428 | 14.2 |
| Yangtze River Delta Economic Zone | 737 | 29 | 0.3 |
| **Total** | **943,545** | **10,066** | **100.0** |

*By City Tier*

| City Tier | Recognised Property Sales Area *(sq.m.)* | Recognised Property Sales Income *(RMB Million)* | Percentage of Recognised Property Sales Income *(%)* |
|---|---|---|---|
| First-tier cities | 34,968 | 1,998 | 19.8 |
| Second-tier cities | 338,061 | 2,955 | 29.4 |
| Third- and fourth-tier cities | 570,516 | 5,113 | 50.8 |
| **Total** | **943,545** | **10,066** | **100.0** |

*Land Bank*

During the period, with the strategic layout of "Regional Focused, Multi-industries Development" (區域聚焦，多業態發展), the Group continued to concentrate on the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the Guangdong — Hong Kong — Macao Greater Bay Area, Central Western Region and the West Taiwan Strait Economic Zone. The Group strategically focused on first-tier and core second-tier cities and flexibly entered strong third-tier cities.

Under the background of central government regulation, since the third quarter of 2018, the price of the real estate market began to fall, and unsuccessful land bids occurred in the market. The Group also began to stop purchasing land and reserve more funds. In December 2018, the Group seized the opportunity of lower land prices and re-entered the land market. From December 2018 to February 2019, the Group actively purchased land from the land market, which had greater profit margins. In the first half of 2019, the Group together with its joint ventures and associates proactively expanded its land banks and acquired 27 projects in total in 19 cities, including Beijing, Tianjin, Chongqing, Hangzhou, Jinan, Nanchang, Foshan and Kunming. The aggregate land cost was approximately RMB24.034 billion (the land cost attributable to the Group was approximately RMB14.438 billion) and the aggregate above-ground buildable area was approximately 5.27 million sq.m.

The new land acquisitions were as follows:

| City | Project Name | Type of Property | Above–ground GFA *(sq.m.)* | Land Cost *(RMB Million)* | Average Land Cost *(RMB/sq.m.)* | Percentage of Interest Attributable to the Group *(%)* |
|---|---|---|---|---|---|---|
| **Bohai Rim Economic Zone** | | | | | | |
| Beijing | The Regent | Residential and commercial | 133,434 | 1,600 | 11,991 | 50% |
| Tianjin | Polaris Bay | Residential | 70,712 | 732 | 10,352 | 95% |
| Tianjin | Gratifying Bay | Residential | 58,006 | 577 | 9,947 | 33% |
| Tianjin | River Coast | Residential | 51,784 | 262 | 5,067 | 42% |
| Tianjin | Galaxy | Residential | 73,822 | 770 | 10,430 | 50% |
| Jinan | Royal Palace | Residential | 132,915 | 474 | 3,566 | 95% |
| Jinan | The Prestige | Residential and commercial | 422,671 | 3,248 | 7,684 | 50% |
| **Yangtze River Delta Economic Zone** | | | | | | |
| Hangzhou | Hangzhou Project (Pengbu) | Residential and commercial | 93,121 | 1,595 | 17,128 | 33% |
| Hangzhou | Hangzhou Project (Linan) | Residential | 53,249 | 465 | 8,732 | 25% |
| Suzhou | Glory Sky | Residential and commercial | 170,351 | 2,061 | 12,098 | 91% |
| Nantong | The Royal Bay | Residential | 162,307 | 47 | 288 | 55% |
| Xuzhou | Parkview City Phase 1 | Residential | 326,270 | 783 | 2,400 | 46% |
| Xuzhou | Parkview City Phase 2 | Residential | 198,164 | 476 | 2,400 | 46% |
| Jiaxing | Parkview Bay | Residential, office and commercial | 121,563 | 359 | 2,957 | 100% |
| Yiwu | Yiwu Project | Residential and commercial | 198,736 | 1,610 | 8,101 | 33% |
| **West Taiwan Strait Economic Zone** | | | | | | |
| Nanchang | Royal Palace | Residential and commercial | 559,224 | 1,807 | 3,231 | 100% |
| Quanzhou | Cloudview Palace | Residential and commercial | 145,863 | 420 | 2,879 | 90% |
| Quanzhou | Parkview Mount | Residential and commercial | 376,376 | 645 | 1,714 | 50% |
| Zhangzhou | Royal Palace | Residential and commercial | 70,260 | 354 | 5,038 | 80% |
| Putian | Parkview Bay | Residential and commercial | 224,000 | 506 | 2,259 | 100% |
| **Guangdong — Hong Kong — Macao Greater Bay Area** | | | | | | |
| Foshan | Town of Golden River | Residential and commercial | 187,591 | 617 | 3,290 | 48% |
| Huizhou | Sceneway Bay | Residential and commercial | 137,029 | 380 | 2,773 | 48% |
| Shanwei | Century Palace | Residential and commercial | 348,287 | 463 | 1,329 | 100% |
| **Central Western Region** | | | | | | |
| Chongqing | Imperial Manor | Residential | 249,111 | 1,045 | 4,196 | 50% |
| Chongqing | Chongqing Project | Residential | 164,310 | 905 | 5,508 | 51% |
| Kunming | The Prestige | Residential and commercial | 440,780 | 1,739 | 3,945 | 50% |
| Luoyang | Luoyang Project | Residential | 104,192 | 94 | 900 | 80% |
| | | | 5,274,128 | 24,034 | 4,557 | |

As at 30 June 2019, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 29.01 million sq.m. (the aggregate planned GFA attributable to the Group was 16.32 million sq.m.), distributing in 37 cities. From the perspective of geographic distribution, the land bank costs of the Group together with its joint ventures and associates located in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the West Taiwan Strait Economic Zone, Guangdong — Hong Kong — Macao Greater Bay Area and Central Western Region have accounted for 39.8%, 25.4%, 16.0%, 5.6% and 13.2% of the total land bank cost (excluding investment properties) respectively. Considering the city tier, the land bank costs of the Group together with its joint ventures and associates located in first-tier, second-tier as well as third- and fourth-tier cities have accounted for 12.4%, 65.3% and 22.3% of the total land bank cost (excluding investment properties) respectively.

### Debt Management

2018 was a difficult year for real estate enterprises to raise funds. Approaching 2019, the overall financing environment has greatly improved. The Company grasped the right opportunity to issue the two-year senior notes of US$500 million at a coupon rate of 8.75% due in 2021 in early January 2019. The Company issued the five-year senior notes of US$350 million at a coupon rate of 7.375% due in 2024 in early April 2019. The Company issued the 3.75-year senior notes of US$500 million at a coupon rate of 7.25% due in 2023 in early July 2019. The proceeds were mainly used to redeem the 10% senior notes due in July 2020.

Through the above-mentioned overseas financing, the Group can reserve more funds for the future corporate development. On the other hand, the Group also successfully optimised its debt structure and extended its debt maturities. As at 30 June 2019, short-term debt only accounted for 22.7% of total debt, while short-term debt only accounted for 39.0% of cash and bank balances, which proved that the Group had abundant liquidity. Affected by the overall financing environment in 2018, the average financing cost in the first half of 2019 increased slightly from 6.4% in the same period last year to 6.7%.

## OUTLOOK

In the second half of 2019, in the face of the uncertainties in the Chinese economy and friction in trade between China and the United States of America, the downward risks of China's economy will increase. In order to stimulate economic growth, the central government will adopt proactive fiscal policies and prudent monetary policies. At the same time, the regulatory authority will continue to monitor real estate financial risks and prevent illegal capital from flowing into the real estate sector. To achieve smooth operation of the real estate market, the "policy by city" and "one city one policy" will be the main direction in the second half of 2019.

In the second half of 2019, the Company expects that land supply in popular cities will further increase. Under the tightening of real estate fund monitoring, the price of land market will have more investment value. The Group will seize the opportunity to increase land reserves mainly in second-tier and strong third-tier cities to prepare for future marketable resources.

The Company expects that real estate sales will remain stable in the second half of 2019. The Group will seize the market opportunity to timely launch new properties and speed up capital recovery and asset turnover ratio so as to maximise profits. With the huge and balanced marketable resources of the Group, the Company is confident to achieve the contracted sales target of RMB70 billion set at the beginning of the year.

## FINANCIAL REVIEW

### Revenue

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

The revenue increased by 10.7% from approximately RMB9,414,763,000 in the first half of 2018 to approximately RMB10,422,829,000 in the first half of 2019, which was attributable to the increase in property sales income.

- *Sales of properties*

  Income from property sales increased by 10.2% from approximately RMB9,133,627,000 in the first half of 2018 to approximately RMB10,066,254,000 in the first half of 2019. Delivered area increased significantly by 64.5% from 573,739 sq.m. in the first half of 2018 to 943,545 sq.m. in the first half of 2019. The average unit selling price decreased from RMB15,919 per sq.m. in the first half of 2018 to RMB10,669 per sq.m. in the first half of 2019.

- *Rental income*

  Rental income increased significantly by 77.7% from approximately RMB75,077,000 in the first half of 2018 to approximately RMB133,392,000 in the first half of 2019, which was mainly attributable to the contribution of rental income from the office buildings of SCE Plaza in Shanghai and the shopping mall of World City in Nanan.

- *Property management fees*

  Property management fees increased by 11.6% from approximately RMB142,650,000 in the first half of 2018 to approximately RMB159,177,000 in the first half of 2019, which was mainly attributable to the increase in number and floor area of properties under the management.

- *Project management income*

  The project management income increased by 0.9% from approximately RMB63,409,000 in the first half of 2018 to approximately RMB64,006,000 in the first half of 2019, which was attributable to the project management service and other property related service income provided to joint ventures.

**Gross Profit**

Gross profit decreased by 1.0% from approximately RMB3,041,951,000 in the first half of 2018 to approximately RMB3,010,580,000 in the first half of 2019. Gross profit margin decreased from 32.3% in the first half of 2018 to 28.9% in the first half of 2019. The decrease in gross profit margin was attributable to the impact on average unit selling price of projects as result of price restriction policy.

**Changes in Fair Value of Investment Properties**

The fair value gains of investment properties increased significantly by 123.6% from approximately RMB327,419,000 in the first half of 2018 to approximately RMB732,250,000 in the first half of 2019. The fair value gains of investment properties during the period were mainly attributable to the value appreciation of the office buildings of SCE Plaza in Shanghai and certain long-term rental apartments.

**Selling and Marketing Expenses**

Selling and marketing expenses increased significantly by 70.5% from approximately RMB135,669,000 in the first half of 2018 to approximately RMB231,294,000 in the first half of 2019. The increase in selling and marketing expenses was mainly attributable to the significant increase in the number of projects for sale during the period.

**Administrative Expenses**

Administrative expenses increased significantly by 48.1% from approximately RMB424,503,000 in the first half of 2018 to approximately RMB628,687,000 in the first half of 2019. The increase in administrative expenses was mainly attributable to inclusion of the equity-settled share option expenses of approximately RMB71,048,000 in the first half of 2019 and the increase in administrative staff costs to cope with the needs for business expansion.

**Finance Costs**

Finance costs increased by 3.1% from approximately RMB258,724,000 in the first half of 2018 to approximately RMB266,873,000 in the first half of 2019. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain funds were not used for project developments. Due to the increase in bank and other borrowings (including senior notes and domestic bonds), total interest expense increased significantly by 55.4% from approximately RMB913,018,000 in the first half of 2018 to approximately RMB1,418,926,000 in the first half of 2019.

**Share of Profits and Losses of Joint Ventures**

Share of profits and losses of joint ventures changed from profits of approximately RMB552,716,000 in the first half of 2018 to losses of approximately RMB117,468,000 in the first half of 2019. The losses were mainly attributable to the operating expenses of projects under development of joint ventures during the period.

**Income Tax Expense**

Income tax expense decreased by 10.0% from approximately RMB1,163,495,000 in the first half of 2018 to approximately RMB1,047,616,000 in the first half of 2019. The decrease in income tax expense was mainly due to less provision for corporate income tax and land appreciation tax made as a result of decrease in gross profits of delivered projects.

**Profit Attributable to Owners of the Parent**

Profit attributable to owners of the parent decreased by 5.1% from approximately RMB2,020,225,000 in the first half of 2018 to approximately RMB1,916,809,000 in the first half of 2019. Basic earnings per share amounted to approximately RMB46.5 cents in the first half of 2019. Core profit attributable to owners of the parent increased by 28.9% from approximately RMB1,197,578,000 in the first half of 2018 to approximately RMB1,543,997,000 in the first half of 2019.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

**Cash Position**

As at 30 June 2019, the Group's cash and bank balances were denominated in different currencies as set out below:

| | **30 June 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Renminbi | **19,575,878** | 16,880,927 |
| Hong Kong dollars | **743,531** | 1,902,693 |
| US dollars | **3,177,577** | 1,189,195 |
| Total cash and bank balances | **23,496,986** | 19,972,815 |

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 bills issued from banks in the PRC. As at 30 June 2019, the amount of restricted cash and pledged deposits were approximately RMB3,990,308,000 (31 December 2018: approximately RMB4,409,592,000) and approximately RMB168,457,000 (31 December 2018: approximately RMB47,909,000), respectively.

**Borrowings and Pledged Assets**

The maturity of the borrowings of the Group as at 30 June 2019 is as follows:

| | **30 June 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Bank and other borrowings: | | |
| Within one year or on demand | **9,169,169** | 10,537,381 |
| In the second year | **6,062,036** | 2,977,463 |
| In the third to fifth years, inclusive | **5,012,643** | 6,358,405 |
| Beyond fifth years | **1,145,367** | 258,752 |
| | **21,389,215** | 20,132,001 |
| Senior notes and domestic bonds: | | |
| In the second year | **13,235,115** | 5,791,736 |
| In the third to fifth years, inclusive | **5,730,602** | 7,413,908 |
| | **18,965,717** | 13,205,644 |
| Total borrowings | **40,354,932** | 33,337,645 |

The borrowings were denominated in different currencies as set out below:

| | **30 June 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Bank and other borrowings: | | |
| Renminbi | **18,043,182** | 15,060,183 |
| Hong Kong dollars | **3,285,580** | 2,737,042 |
| US dollars | **60,453** | 2,334,776 |
| | **21,389,215** | 20,132,001 |
| Senior notes and domestic bonds: | | |
| Renminbi | **3,432,508** | 3,428,726 |
| US dollars | **15,533,209** | 9,776,918 |
| | **18,965,717** | 13,205,644 |
| Total borrowings | **40,354,932** | 33,337,645 |

As at 30 June 2019, approximately RMB18,236,607,000 (31 December 2018: approximately RMB15,060,183,000) 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 RMB45,750,057,000 (31 December 2018: approximately RMB36,950,279,000), and capital stocks of certain subsidiaries. The senior notes of US$350 million at a coupon rate of 10.0% due 2020 issued in July 2015 (the "**2015 Senior Notes**"), the senior notes of US$500 million at a coupon rate of 5.875% due 2022 issued in March 2017 and April 2017 (the "**2017 Senior Notes**"), the senior notes of US$600 million at a coupon rate of 7.45% due 2021 issued in April 2018 (the "**2018 Senior Notes**"), the senior notes of US$500 million at a coupon rate of 8.75% due 2021 issued in January 2019 (the "**2019 January Senior Notes**"), the senior notes of US$350 million at a coupon rate of 7.375% due 2024 issued in April 2019 (the "**2019 April Senior Notes**") and approximately RMB2,809,720,000 (31 December 2018: approximately RMB4,833,471,000) 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 2019, except for certain bank and other borrowings of approximately RMB8,235,565,000 (31 December 2018: approximately RMB5,915,320,000) bearing interest at fixed interest rates, all the Group's bank and other borrowings bear interest at floating interest rates. The 2015 Senior Notes, the 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes, the 2019 April Senior Notes and the domestic corporate bonds of RMB1,974,058,000 at an adjusted coupon rate of 7.6% due 2020 issued in October 2015 and the domestic corporate bonds of RMB1,470,200,000 at an adjusted coupon rate of 7.6% due 2020 issued in December 2015 bear interest at fixed interest rates.

**Gearing Ratio**

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, senior notes and domestic bonds after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 30 June 2019, the net gearing ratio was 66.2% (31 December 2018: 60.4%).

**Exchange Rate Fluctuation Exposures**

The Group's businesses are located in the PRC and all of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 30 June 2019, except for certain bank deposits, financial assets at fair value through profit or loss, bank and other borrowings, derivative financial instruments, the 2015 Senior Notes, the 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes and the 2019 April Senior Notes which were denominated in foreign currencies, exchange rate changes of RMB against foreign currencies will not have material adverse effect on the results of operations of the Group.

The Group had entered into certain capped forward cross currency swap contracts to mitigate the currency risk exposure of foreign currency denominated indebtedness. As at 30 June 2019, the Group had entered into capped forward cross currency swap contracts with an aggregate contract amount of US$220 million. Save as disclosed above, no other foreign currency hedging arrangement was made as at 30 June 2019. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

## CORPORATE GOVERNANCE

During the six months ended 30 June 2019, 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 "**CG Code**") contained in Appendix 14 to the Listing Rules.

Under provision A.2.1 of the CG 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 under review, 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 AND REVIEW OF FINANCIAL STATEMENTS

According to the provision of the CG Code, the Company established the audit committee (the "**Audit Committee**") on 6 January 2010. Under Rule 3.21 of the Listing Rules, the audit committee of issuers must comprise non-executive directors only. 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, 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 which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

During the period under review, the Audit Committee oversaw the Company's financial reporting system, risk management and internal control system; and discussed the accounting principles and policies adopted by the Group together with the management. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

## 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 of conduct for securities transactions by 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 HK10 cents per ordinary share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK7 cents). The interim dividend will be payable on or about 4 October 2019 to shareholders whose names appear on the register of members of the Company on 12 September 2019.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 12 September 2019, 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 2019, 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 11 September 2019.

## 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 2019 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 Group Holdings Limited**
**Wong Chiu Yeung**
*Chairman*

Hong Kong, 21 August 2019

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