中駿集团

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Contracted sales amount increased by approximately 56.7% to approximately RMB80,501,181,000.
- Revenue increased by approximately 20.2% to approximately RMB21,369,802,000.
- Gross profit margin was 27.6%.
- Profit for the year increased by 9.4% to approximately RMB4,023,466,000.
- Profit attributable to owners of the parent increased by approximately 3.7% to approximately RMB3,510,045,000.
- Core profit attributable to owners of the parent[1] increased by approximately 20.5% to approximately RMB2,650,332,000.
- Cash and bank balances increased by approximately 19.7% to approximately RMB23,898,660,000 as at 31 December 2019.
- Net gearing ratio was approximately 60.0% as at 31 December 2019.
- The Board proposed to declare a final dividend of HK14 cents per ordinary share.

[1] It represents profit attributable to owners of the parent excluding the post-tax net gains arising from changes in fair value of investment properties of subsidiaries and joint ventures, premium paid on early redemption of senior notes, fair value gain and interest expenses of derivative financial instruments — transactions not qualifying as hedges, net fair value loss of financial assets at fair value through profit or loss, net gain on disposal of subsidiaries and a joint venture, equity-settled share option expenses, impairment of investment in associates and loss on forfeiture of a deposit.

The board (the "**Board**") of directors (the "**Directors**") of China SCE Group Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
REVENUE	*5*	**21,369,802**	17,782,886
Cost of sales		**(15,477,931)**	(11,636,290)
Gross profit		**5,891,871**	6,146,596
Other income and gains	*5*	**1,155,838**	386,637
Changes in fair value of investment properties, net		**1,404,861**	1,082,540
Selling and marketing expenses		**(516,031)**	(398,421)
Administrative expenses		**(1,616,310)**	(1,298,702)
Other expenses		**(92,243)**	–
Finance costs	*6*	**(528,142)**	(401,686)
Share of profits and losses of:			
Joint ventures		**181,599**	513,275
Associates		**(27,168)**	22,217
PROFIT BEFORE TAX	*7*	**5,854,275**	6,052,456
Income tax expense	*8*	**(1,830,809)**	(2,375,633)
PROFIT FOR THE YEAR		**4,023,466**	3,676,823
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		**(97)**	(13,837)
Share of other comprehensive income/(loss) of associates		**8**	(28)
Exchange differences on translation of foreign operations		**(307,848)**	(486,437)
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		**(307,937)**	(459,763)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(307,937)**	(459,763)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,715,529**	3,217,060

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
Year ended 31 December 2019

	Note	2019 *RMB'000*	2018 *RMB'000*
Profit attributable to:			
Owners of the parent		**3,510,045**	3,385,284
Holders of perpetual capital instruments		**35,408**	58,363
Non-controlling interests		**478,013**	233,176
		4,023,466	3,676,823
Total comprehensive income attributable to:			
Owners of the parent		**3,229,686**	3,019,205
Holders of perpetual capital instruments		**35,408**	58,363
Non-controlling interests		**450,435**	139,492
		3,715,529	3,217,060
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**RMB84.9 cents**	RMB87.8 cents
Diluted		**RMB83.4 cents**	RMB86.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**827,422**	680,784
Investment properties		**22,631,743**	20,270,300
Prepaid land lease payments		**–**	5,028,066
Intangible asset		**3,153**	3,319
Properties under development		**13,248,794**	2,730,414
Contract in progress		**343,244**	326,907
Investments in joint ventures		**8,863,038**	5,683,818
Investments in associates		**1,036,532**	155,072
Prepayments and other assets		**4,969,729**	3,836,906
Deferred tax assets		**714,805**	561,628
Total non-current assets		**52,638,460**	39,277,214
CURRENT ASSETS			
Properties under development		**49,136,052**	28,101,140
Completed properties held for sale		**8,021,749**	3,242,502
Trade receivables	*11*	**782,142**	401,785
Prepayments, other receivables and other assets		**8,449,634**	4,855,783
Financial assets at fair value through profit or loss		**665,070**	642,440
Due from related parties		**4,379,165**	4,009,493
Prepaid income tax		**1,411,122**	987,603
Restricted cash		**4,297,558**	4,409,592
Pledged deposits		**450,253**	47,909
Cash and cash equivalents		**19,150,849**	15,515,314
Total current assets		**96,743,594**	62,213,561
CURRENT LIABILITIES			
Trade and bills payables	*12*	**14,959,698**	8,347,133
Other payables and accruals		**12,433,555**	9,929,465
Contract liabilities		**34,902,065**	21,539,926
Interest-bearing bank and other borrowings		**8,858,490**	10,537,381
Derivative financial instruments		**–**	26,739
Senior notes and domestic bonds		**3,436,692**	–
Due to related parties		**7,505,159**	1,246,015
Tax payable		**2,953,045**	2,599,736
Total current liabilities		**85,048,704**	54,226,395

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2019

	2019	2018
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**11,694,890**	7,987,166
TOTAL ASSETS LESS CURRENT LIABILITIES	**64,333,350**	47,264,380
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**12,401,766**	9,594,620
Senior notes and domestic bonds	**17,380,134**	13,205,644
Lease liabilities	**186,421**	–
Deferred tax liabilities	**4,026,165**	2,279,297
Provision for major overhauls	**52,677**	45,412
Total non-current liabilities	**34,047,163**	25,124,973
Net assets	**30,286,187**	22,139,407
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**361,497**	353,077
Reserves	**17,217,513**	15,129,109
	17,579,010	15,482,186
Perpetual capital instruments	**–**	700,000
Non-controlling interests	**12,707,177**	5,957,221
Total equity	**30,286,187**	22,139,407

NOTES:

1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The addresses of the principal place of business of the Company in the People's Republic of China (the "**PRC**") and Hong Kong are SCE Tower, No. 2, Lane 1688, Shengchang Road, Hongqiao Business District, Shanghai, China; and Room 2801, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong, respectively.

The Group was principally engaged in property development, property investment and property management in the PRC during the year.

In the opinion of the Directors, the ultimate holding company of the Company is Newup Holdings Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

The financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. 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 year's 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 to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, other amendments and interpretations are applied for the first time in 2019, but do not have significant impact on the 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors 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.

    For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method 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 recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretation.

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.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for leasehold lands and 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 with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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 in the consolidated statement of financial position, 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. For leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases amounting to RMB28,760,000 were measured at fair value at 1 January 2019, and have been accounted for and classified as investment properties applying HKAS 40 from that date.

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

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 is as follows:

	Increase/ (decrease) *RMB'000*
Non-current assets	
Property and equipment	49,885
Investment properties	28,760
Prepaid land lease payments	(5,028,066)
Prepayments, other receivables and other assets	(8,955)
Properties under development	5,037,021
Total non-current assets	78,645
Current liabilities	
Other payable and accruals	18,657
Non-current liabilities	
Lease liabilities	59,988
Total liabilities	78,645

(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 financial statements.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. The interpretation did not have any significant impact on the financial position or performance of the Group.

4. 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 5 below.

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

During the years ended 31 December 2019 and 31 December 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

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

	2019 *RMB'000*	2018 *RMB'000*
Revenue from contracts with customers		
Sales of properties	**20,452,820**	17,224,700
Property management fees	**458,066**	336,678
Project management income	**174,313**	90,546
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**17,269**	–
Other lease payments, including fixed payments	**267,334**	130,962
	21,369,802	17,782,886

	2019 *RMB'000*	2018 *RMB'000*
Other income and gains		
Bank interest income	**206,298**	87,924
Interest income on amounts due from joint ventures	**118,922**	–
Forfeiture income on deposits received	**15,522**	6,668
Gain on disposal of items of property and equipment, net	**251**	11,190
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	**26,843**	166,338
Fair value gain on remeasurement of investment in a joint venture	**47,023**	–
Fair value gain on remeasurement of investment in an associate	**–**	21,097
Gain on bargain purchase	**564,349**	–
Gain on disposal of subsidiaries, net	**17,217**	–
Gain on disposal of a joint venture	**14,046**	–
Others	**145,367**	93,420
	1,155,838	386,637

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank and other borrowings, senior notes and domestic bonds	**2,920,220**	2,133,590
Interest on lease liabilities	**19,774**	–
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**2,372**	2,044
Total interest expense on financial liabilities not at fair value through profit or loss	**2,942,366**	2,135,634
Less: Interest capitalised	**(2,414,224)**	(1,733,948)
	528,142	401,686

7. PROFIT BEFORE TAX

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

	2019 *RMB'000*	2018 *RMB'000*
Cost of properties sold	**15,249,000**	11,298,108
Cost of services provided	**228,765**	338,012
Depreciation of property and equipment	**47,957**	33,065
Depreciation of right-of-use assets (2018: Amortisation of land lease payments)	**47,898**	8,281
Amortisation of an intangible asset	**166**	170
Provision for major overhauls	**5,465**	5,228
Minimum lease payments under operating leases for land and buildings	**–**	37,040
Lease payments not included in the measurement of lease liabilities	**4,412**	–
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	**615**	434
Auditor's remuneration	**4,870**	4,250
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	**1,090,625**	897,123
Equity-settled share option expense	**93,776**	17,537
Pension scheme contributions	**195,395**	143,173
Less: Amount capitalised	**(287,885)**	(429,402)
	1,091,911	628,431
Premium paid on early redemption of senior notes	**59,820**	–
Foreign exchange differences, net	**16,450**	78,141
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	**(26,843)**	(166,338)
Fair value loss of financial assets at fair value through profit or loss, net	**6,088**	39,285
Fair value gain on remeasurement of investment in a joint venture	**(47,023)**	–
Fair value gain on remeasurement of investment in an associate	**–**	(21,097)
Gain on bargain purchase	**(564,349)**	–
Loss on deemed acquisition of subsidiaries, net	**–**	26,983
Gain on disposal of subsidiaries, net	**(17,217)**	–
Gain on disposal of a joint venture	**(14,046)**	–
Write down to net realisable value of completed properties held for sale	**39,035**	–
Impairment of investment in associates	**32,423**	–
Loss on disposal of investment properties, net	**–**	11,988
Gain on disposal of items of property and equipment, net	**(251)**	(11,190)

8. INCOME TAX

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. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

	2019	2018
	RMB'000	*RMB'000*
Current charge for the year:		
PRC corporate income tax	**1,215,624**	1,294,115
PRC land appreciation tax	**387,840**	981,564
Under/(over)-provision in prior years, net:		
Mainland China	**(6,970)**	61,056
	1,596,494	2,336,735
Deferred	**234,315**	38,898
Total tax charge for the year	**1,830,809**	2,375,633

9. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Interim — HK10 cents (2018: HK7 cents) per ordinary share	**362,770**	225,993
Proposed final — HK14 cents (2018: HK14 cents) per ordinary share	**523,436**	507,878
	886,206	733,871

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 4,134,224,457 (2018: 3,855,128,016) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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 or conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	**3,510,045**	3,385,284

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,134,224,457**	3,855,128,016
Effect of dilution — weighted average number of ordinary shares:		
Share options	**73,602,653**	81,613,520
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**4,207,827,110**	3,936,741,536

11. 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 the sales 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 of three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

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:

	2019	2018
	RMB'000	*RMB'000*
Current to 90 days	**697,530**	393,387
91 to 180 days	**76,036**	287
181 to 365 days	**123**	9
Over 365 days	**8,453**	8,102
	782,142	401,785

The financial impact of expected credit losses for trade receivables is insignificant for the years ended 31 December 2019 and 31 December 2018.

12. 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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**14,702,354**	8,208,575
Over 1 year	**257,344**	138,558
	14,959,698	8,347,133

The trade and bills payables are unsecured and non-interest-bearing and are normally settled based on the progress of construction.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2019, the control policies of the real estate market in the PRC became more stringent as a whole. In order to prevent real estate financial risks, the central government continued upholding the general direction of "No Speculation of Residential Properties", and comprehensively monitored the capital flows in the real estate industry. At the same time, local governments appropriately adjusted their control policies according to the local real estate market changes to ensure the further implementation of the basic principle of "Policy by City", fully carry out the long-term management control mechanism of "Stabilising Land Prices, Housing Prices and Market Expectations", and facilitate the steady and healthy development of the real estate market.

Throughout 2019, the transaction volume and average selling price of commodity housing in the PRC took a moderate upward trend. According to the "National Real Estate Development and Sales in January to December 2019" (《2019年1–12月全國房地產開發投資和銷售情況》) issued by the National Bureau of Statistics of the PRC, the sales area of national commodity housing amounted to approximately 1.72 billion sq.m. in 2019, representing a decrease of 0.1% as compared with that of last year, of which the sales area of residential housing increased by 1.5% year-on-year. The sales amount of national commodity housing amounted to approximately RMB15,972.5 billion, representing a year-on-year increase of 6.5%, of which the sales amount of residential housing increased by 10.3% as compared with that of last year.

BUSINESS REVIEW

Contracted Sales

In 2019, the Group together with its joint ventures and associates outperformed its annual sales target of RMB70.0 billion and achieved a record-high contracted sales amount reaching approximately RMB80.501 billion (including the contracted sales amount of approximately RMB40.146 billion from the joint ventures and associates) and contracted sales area of approximately 6.32 million sq.m. (including the contracted sales area of approximately 2.71 million sq.m. from the joint ventures and associates) for the year, representing an increase of approximately 56.7% and 52.4% as compared with that of last year, respectively.

In 2019, the Group together with its joint ventures and associates had an aggregate of over 150 projects for sale in 37 cities, mainly in second-tier and strong third-tier cities. Among which 46 projects were newly launched during the year and 26 new projects were launched by the Group, details of which are listed as follows:

City	**Project Name**
Zhangzhou	Royal Palace
Huizhou	Sceneway Bay
Xiamen	Polaris Palace
Quanzhou	Cloudview Palace
Putian	Parkview Bay
Shangrao	Royal Palace (Dongtou)
Nanchang	Xintiandi
Linfen	SCE International Community (Phase 5)
Tianjin	Polaris Bay
Tianjin	River Coast
Shangqiu	Parkview Palace
Shangqiu	Cloudview Terrace
Jinan	Royal Palace
Xuzhou	One Park Square
Xuzhou	Parkview Bay
Xuzhou	Parkview City
Lianyungang	The Royal Bay
Chongqing	Imperial Manor
Chongqing	Utopia
Kunming	Cloud Valley
Nanjing	Cloudview Pavilion
Nanjing	Parkview Bay
Ningbo	Parkview Palace
Suzhou	Glory Sky
Nantong	The Royal Bay
Shanghai	The Paramount

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

By City

City	**Contracted Sales Area** *(sq.m.)*	**Contracted Sales Amount** *(RMB Million)*	**Percentage of Contracted Sales Amount** *(%)*
Beijing	126,050	6,287	7.8
Shanghai	55,909	2,251	2.8
Shenzhen	63,598	2,119	2.6
Hangzhou	148,168	2,363	2.9
Chongqing	1,209,717	10,754	13.4
Suzhou	164,924	2,889	3.6
Tianjin	306,377	4,693	5.8
Nanjing	229,752	4,637	5.8
Wuxi	141,904	2,101	2.6
Xiamen	142,468	7,612	9.5
Jinan	374,430	3,624	4.5
Xuzhou	516,721	4,529	5.6
Quanzhou	735,706	6,305	7.8
Jiaxing	292,982	4,724	5.9
Others	1,815,994	15,613	19.4
Total	6,324,700	80,501	100.0

From the perspective of distribution among cities, contracted sales in Chongqing and Xiamen have been the most remarkable among the second-tier cities, amounting to approximately RMB10.754 billion and RMB7.612 billion respectively. China SCE only entered into the Chongqing market less than two years ago, it has already completed the transformation from expansion to vigorous growth to further development. For China SCE, Chongqing became the first city with contracted sales surpassing RMB10 billion. According to the "2019 Sale Rankings of Commodity Housings among Xiamen's Real Estate Enterprises" (《2019年度廈門房企商品房銷售排行榜》) released by E-House Enterprise Group CRIC, China SCE ranked second in Xiamen in terms of the contracted sales amount. In addition, contracted sales in Quanzhou have continued to be the highest among the third-tier cities, with contracted sales amounting to approximately RMB6.305 billion, accounting for approximately 7.8% of the overall contracted sales amount. The Group has maintained a leading market share in Quanzhou for a long period of time. According to the "2019 Sale Rankings of Commodity Housings among Quanzhou's Real Estate Enterprises" (《2019年度大泉州房企商品房銷售排行榜》) released by E-House Enterprise Group CRIC, China SCE ranked second in Quanzhou in terms of the contracted sales amount and area.

By Region

Region	**Contracted Sales Area** *(sq.m.)*	**Contracted Sales Amount** *(RMB Million)*	**Percentage of Contracted Sales Amount** *(%)*
Yangtze River Delta Economic Zone	1,886,225	27,093	33.7
West Taiwan Strait Economic Zone	1,341,417	17,593	21.9
Bohai Rim Economic Zone	1,043,854	16,265	20.2
Central Western Region	1,783,007	14,525	18.0
Guangdong-Hong Kong-Macao Greater Bay Area	270,197	5,025	6.2
Total	6,324,700	80,501	100.0

Due to the launch of several new projects in the Yangtze River Delta Economic Zone and the positive results of further development in this area, the proportion of contracted sales amount of the Group together with its joint ventures and associates in this region amounted for the largest, amounting to approximately 33.7%. Among which, Nanjing, Xuzhou, Suzhou, Hangzhou, Shanghai, and Wuxi contributed the most to the contracted sales. Immediately after that zone was the contracted sales in the West Taiwan Strait Economic Zone, Bohai Rim Economic Zone and Central Western Region, amounting to approximately 21.9%, 20.2% and 18.0% respectively.

By City Tier

City Tier	**Contracted Sales Area** *(sq.m.)*	**Contracted Sales Amount** *(RMB Million)*	**Percentage of Contracted Sales Amount** *(%)*
First-tier cities	245,557	10,657	13.2
Second-tier cities	3,035,335	42,904	53.3
Third- and fourth-tier cities	3,043,808	26,940	33.5
Total	6,324,700	80,501	100.0

From the perspective of city tier, the contracted sales amounts of the Group together with its joint ventures and associates in the first- and second-tier cities were RMB10.657 billion and RMB42.904 billion respectively, contributing approximately 13.2% and 53.3% respectively, by which, significant achievement due to the Group's strategy of "focusing on first-tier cities and quality second-tier cities" has been demonstrated once again. At the same time, the Group timely launched properties in strong third- and fourth-tier cities to cope with a changing market, the contracted sales amounts of the third- and fourth-tier cities decreased to 33.5%, amounting to RMB26.940 billion.

Land Bank

As at 31 December 2019, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 32.09 million sq.m., of which the aggregate planned gross floor area ("GFA") attributable to the Group was approximately 18.52 million sq.m. and distributed in 47 cities. In 2019, the Group together with its joint ventures and associates acquired 46 projects in total, distributed in 32 cities, including Xiamen, Beijing, Jinan, Nanchang, Tianjin, Hangzhou, Suzhou and Chongqing, among which 12 cities were new, with an aggregate above-ground GFA of approximately 9.80 million sq.m., at an aggregate land costs of approximately RMB47.725 billion, the attributable land cost was approximately RMB30.155 billion. The average land cost was approximately RMB4,872 per sq.m. The new land acquisitions in 2019 were as follows:

City	Project	Type of Property	Above-ground GFA	Land Cost	Average Land Cost	Percentage of Interest Attributable to the Group
			(sq.m.)	*(RMB Million)*	*(RMB per sq.m.)*	*(%)*
Bohai Rim Economic Zone						
Beijing	The Regent	Residential and commercial	133,434	1,600	11,991	50
Beijing	Cloudview Terrace/ Imperial Terrace	Residential and commercial	381,104	4,200	11,021	100
Tianjin	Polaris Bay	Residential	70,712	732	10,352	95
Tianjin	Gratifying Bay	Residential	58,006	577	9,947	66
Tianjin	River Coast	Residential	51,784	262	5,067	42
Tianjin	Galaxy	Residential	73,822	770	10,430	48
Qingdao	Parkview Palace	Residential	68,410	194	2,837	97
Jinan	Royal Palace	Residential	132,915	474	3,566	95
Jinan	The Prestige	Residential and commercial	422,671	3,248	7,684	50

City	Project	Type of Property	Above-ground GFA	Land Cost	Average Land Cost	Percentage of Interest Attributable to the Group
			(sq.m.)	*(RMB Million)*	*(RMB per sq.m.)*	*(%)*
Yangtze River Delta Economic Zone						
Hangzhou	China Chic	Residential and commercial	93,121	1,595	17,128	29
Hangzhou	Cloudview Palace	Residential	53,249	465	8,732	20
Suzhou	Glory Sky	Residential and commercial	170,351	2,061	12,098	91
Nantong	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	198,165	476	2,400	46
Jiaxing	Parkview Bay	Residential, commercial and office	121,563	359	2,957	93
Taizhou (台州)	Powerlong Plaza	Residential and commercial	272,476	1,790	6,569	34
Taizhou (泰州)	Parkview Mount	Residential and commercial	193,405	889	4,597	100
Taizhou (泰州)	Funworld	Commercial	149,144	481	3,225	100
Yiwu	Garden Mansion	Residential and commercial	198,736	1,610	8,101	32
Lishui	Mansion Park	Residential	216,165	1,872	8,660	51
Suqian	Sky Mansion	Residential and commercial	378,840	1,046	2,762	30
West Taiwan Strait Economic Zone						
Xiamen	The Regent	Residential and commercial	130,200	5,940	45,622	42
Nanchang	Xintiandi	Residential and commercial	559,224	1,807	3,231	99
Nanchang	Funworld	Residential and commercial	216,195	1,244	5,753	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
Zhangzhou	Cloudview Palace	Residential and commercial	155,795	500	3,209	52
Zhangzhou	Parkview Palace	Residential and commercial	60,676	220	3,626	100
Shangrao	Cloudview Terrace	Residential and commercial	484,060	610	1,260	96
Putian	Parkview Bay	Residential and commercial	224,000	506	2,259	90

City	Project	Type of Property	Above-ground GFA	Land Cost	Average Land Cost	Percentage of Interest Attributable to the Group
			(sq.m.)	*(RMB Million)*	*(RMB per sq.m.)*	*(%)*
Guangdong-Hong Kong -Macao Greater Bay Area						
Foshan	Town of Golden River	Residential and commercial	187,591	617	3,290	48
Foshan	Royal Terrace	Residential and commercial	110,953	780	7,029	100
Huizhou	Sceneway Bay	Residential and commercial	137,029	380	2,773	48
Jiangmen	Unique Mansion	Residential and commercial	138,510	665	4,800	49
Heyuan	Funworld	Residential and commercial	492,135	1,010	2,052	100
Shanwei	Century Palace	Residential and commercial	348,287	607	1,743	92
Central Western Region						
Chongqing	Imperial Manor	Residential	249,111	1,045	4,196	50
Chongqing	Utopia	Residential	164,310	905	5,508	50
Zhengzhou	Cloudview Pavilion	Residential	91,350	182	1,997	100
Kunming	The Prestige	Residential and commercial	440,780	1,889	4,285	50
Luoyang	Mansion Park	Residential	104,192	94	900	70
Shangqiu	Imperial Manor	Residential	248,912	484	1,944	21
Pingdingshan	Funworld	Residential and commercial	390,761	455	1,164	100
Meishan	River State	Residential and commercial	342,121	835	2,441	32
			9,795,341	47,725	4,872	

OUTLOOK

By early 2020, the COVID-19 disease has spread all over the world, which may inflict a short-term blow to the global economy. Although the outbreak comes under control in the initial stage in China, the global economic situation remains grim against a backdrop of increasing internal and external uncertainties. The economic growth of China is expected to also slow down further. In order to stimulate economic growth, it is believed that the central government will adopt a flexible monetary policy and proactive fiscal policy.

The outbreak of disease has affected, to a certain extent, the land transactions, construction progress, sales scale, and liquidity of the real estate industry in the first quarter of 2020. In order to maintain the stable and healthy development of the real estate industry, it is expected that the local governments will introduce more encouraging or stimulating policies. In addition, there will be a continuous improvement of the overall financing environment with a further reduction in loan interest rates, from which the real estate industry is expected to benefit. The purchasing power for commodity houses is expected to, therefore, once again grow. In general, the unit price and transaction volume of commodity housing in 2020 is expected to remain stable.

Despite the fact that the Group has no projects in Hubei Province, the epidemic situation still has some implications on the Group's operations. The Group has taken decisive measures to reduce the epidemic's impact on the Group's operations and finances, such as adjusting the sales launch of properties, strengthening online marketing, accelerating the recovery of pre-sale proceeds, enhancing management of cash flow and project progress, and implementing rent reduction measures to merchants in stages to tide over the difficult period with the merchants.

At present, China SCE has formed a "One Body Two Wings" core business development model with property development as the main body and shopping mall business and long-term apartment rental business as two wings. In 2020, the Group will continue to strengthen the two major business in the shopping mall and long-term apartment rental businesses, forming a synergy with the property development business, and grasp the best timing to obtain high-quality comprehensive land in the five major regions at competitive prices, laying a solid foundation for the Group's future saleable resources and profit contribution.

FINANCIAL REVIEW

Revenue

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

The annual revenue increased by approximately 20.2% from approximately RMB17,782,886,000 in 2018 to approximately RMB21,369,802,000 in 2019, which was attributable to the increase in property sales income.

- **Sales of properties**

  Income from property sales increased by approximately 18.7% from approximately RMB17,224,700,000 in 2018 to approximately RMB20,452,820,000 in 2019. Delivered area increased significantly by approximately 72.0% from 1,067,013 sq.m. in 2018 to 1,835,458 sq.m. in 2019. The average unit selling price decreased from approximately RMB16,143 per sq.m. in 2018 to approximately RMB11,143 per sq.m. in 2019.

- **Rental income**

  Rental income increased significantly by approximately 117.3% from approximately RMB130,962,000 in 2018 to approximately RMB284,603,000 in 2019, which was mainly attributable to the increase in rental income of the office buildings of SCE Plaza in Shanghai and the shopping mall of World City in Nan'an.

- **Property management fees**

  Property management fees increased significantly by approximately 36.1% from approximately RMB336,678,000 in 2018 to approximately RMB458,066,000 in 2019, which was mainly attributable to the increase in number and floor area of properties under management.

- **Project management income**

  The project management income increased significantly by approximately 92.5% from approximately RMB90,546,000 in 2018 to approximately RMB174,313,000 in 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 approximately 4.1% from approximately RMB6,146,596,000 in 2018 to approximately RMB5,891,871,000 in 2019. Gross profit margin decreased from approximately 34.6% in 2018 to approximately 27.6% in 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.

Other Income and Gains

Other income and gains increased significantly by approximately 199.0% from approximately RMB386,637,000 in 2018 to approximately RMB1,155,838,000 in 2019. The significant increase in other income and gains was mainly attributable to a gain on bargain purchase of approximately RMB564,349,000, while there was no such income in 2018.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties increased by approximately 29.8% from approximately RMB1,082,540,000 in 2018 to approximately RMB1,404,861,000 in 2019. The fair value gains of investment properties during the year were mainly attributable to the value appreciations of the office buildings of SCE Plaza in Shanghai and certain long-term rental apartments.

Selling and Marketing Expenses

Selling and marketing expenses increased by approximately 29.5% from approximately RMB398,421,000 in 2018 to approximately RMB516,031,000 in 2019. The increase in selling and marketing expenses was mainly attributable to the significant increase in the number of projects for sale during the year.

Administrative Expenses

Administrative expenses increased by approximately 24.5% from approximately RMB1,298,702,000 in 2018 to approximately RMB1,616,310,000 in 2019. The increase in administrative expenses was mainly attributable to inclusion of the equity-settled share option expenses of approximately RMB93,776,000 in 2019 and the increase in administrative staff costs to cope with the needs for business expansion.

Finance Costs

Finance costs increased significantly by approximately 31.5% from approximately RMB401,686,000 in 2018 to approximately RMB528,142,000 in 2019. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain borrowings 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 approximately 37.8% from approximately RMB2,135,634,000 in 2018 to approximately RMB2,942,366,000 in 2019.

Share of Profits and Losses of Joint Ventures and Associates

Share of profits of joint ventures and associates decreased significantly by approximately 71.2% from approximately RMB535,492,000 in 2018 to approximately RMB154,431,000 in 2019. The decrease in the amount was mainly attributable to the increase of operating expenses of projects under development of joint ventures and associates and the decrease in the fair value gains of investment properties of joint ventures.

Income Tax Expense

Income tax expense decreased by approximately 22.9% from approximately RMB2,375,633,000 in 2018 to approximately RMB1,830,809,000 in 2019. The decrease in income tax expense was mainly due to less provision for land appreciation tax made as a result of relatively lower appreciation rate of certain projects.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased by approximately 3.7% from approximately RMB3,385,284,000 in 2018 to approximately RMB3,510,045,000 in 2019. Basic earnings per share amounted to approximately RMB84.9 cents in 2019. Core profit attributable to owners of the parent increased by approximately 20.5% from approximately RMB2,200,040,000 in 2018 to approximately RMB2,650,332,000 in 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2019, the Group's cash and bank balances were denominated in different currencies as set out below:

	2019	2018
	RMB'000	*RMB'000*
Renminbi	**20,974,502**	16,880,927
Hong Kong dollars	**1,837,305**	1,902,693
US dollars	**1,086,853**	1,189,195
Total cash and bank balances	**23,898,660**	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 31 December 2019, the amounts of restricted cash and pledged deposits were approximately RMB4,297,558,000 (31 December 2018: approximately RMB4,409,592,000) and approximately RMB450,253,000 (31 December 2018: approximately RMB47,909,000), respectively.

Borrowings and Pledged Assets

The maturity of the borrowings of the Group as at 31 December 2019 is as follows:

	2019	2018
	RMB'000	*RMB'000*
Bank and other borrowings:		
Within one year or on demand	**8,858,490**	10,537,381
In the second year	**6,529,786**	2,977,463
In the third to fifth years, inclusive	**4,761,871**	6,358,405
Beyond fifth year	**1,110,109**	258,752
	21,260,256	20,132,001
Senior notes and domestic bonds:		
Within one year or on demand	**3,436,692**	–
In the second year	**7,574,832**	5,791,736
In the third to fifth years, inclusive	**9,805,302**	7,413,908
	20,816,826	13,205,644
Total borrowings	**42,077,082**	33,337,645

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

	2019	2018
	RMB'000	*RMB'000*
Bank and other borrowings:		
Renminbi	**17,846,768**	15,060,183
Hong Kong dollars	**3,351,778**	2,737,042
US dollars	**61,710**	2,334,776
	21,260,256	20,132,001
Senior notes and domestic bonds:		
Renminbi	**3,976,692**	3,428,726
US dollars	**16,840,134**	9,776,918
	20,816,826	13,205,644
Total borrowings	**42,077,082**	33,337,645

As at 31 December 2019, approximately RMB18,043,449,000 (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 RMB44,342,558,000 (31 December 2018: approximately RMB36,950,279,000), and capital stocks of certain subsidiaries. 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**"), the senior notes of US$500 million at a coupon rate of 7.25% due 2023 issued in July 2019 (the "**2019 July Senior Notes**") and approximately RMB2,868,147,000 (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 31 December 2019, except for certain bank and other borrowings of approximately RMB5,961,790,000 (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 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes, the 2019 April Senior Notes, the 2019 July Senior Notes, 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 and the domestic corporate bonds of RMB540 million at a coupon rate of 6.95% due 2023 issued in August 2019 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 31 December 2019, the net gearing ratio was approximately 60.0% (31 December 2018: 60.4%).

Exchange Rate Fluctuation Exposures

The Group's businesses are located in the PRC and substantially all of the Group's revenue and operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 31 December 2019, except for certain bank deposits, financial assets at fair value through profit or loss, bank and other borrowings, the 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes, the 2019 April Senior Notes and the 2019 July 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.

No foreign currency hedging arrangement was made as at 31 December 2019. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of 7,592 employees (31 December 2018: 6,470 employees). During the year, the total cost of employees was approximately RMB1,379,796,000 (2018: approximately RMB1,057,833,000). The Group provides employees with competitive remuneration and benefits and has adopted share option schemes to provide incentives and rewards to, among others, the employees. The Group reviews the employee remuneration plan at least annually to ensure that it maintains market competitiveness and allows the employee to receive fair and equal rewards. The promotion decision is also based on considering the employee's assessment results, experience, skills and personal characteristics. In addition, the Group has established China SCE College to provide employees with three types of training programs, namely business courses, quality skills and cultural identity. The Group has launched its management trainee programme since 2011 for positions in selected functional areas in order to build pipeline for succession.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**Annual General Meeting**") of the Company will be held on Friday, 19 June 2020. Notice of the Annual General Meeting will be published and dispatched in accordance with the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in due course.

DIVIDEND

The Board has proposed the payment of a final dividend of HK14 cents per ordinary share for the year ended 31 December 2019. The proposed final dividend, subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting, will be paid on or around Wednesday, 15 July 2020 to the shareholders whose names appear on the register of members of the Company on Tuesday, 30 June 2020.

CLOSURE OF REGISTER OF MEMBERS

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

(a) for the purpose of determining shareholders who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 19 June 2020, the register of members of the Company will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020, both days inclusive, during which no transfer of shares can be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents should be lodged for registration with the 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, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 15 June 2020; and

(b) for the purpose of determining shareholders who are qualified for the proposed final dividend, subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting, the register of members of the Company will be closed from Monday, 29 June 2020 to Tuesday, 30 June 2020. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 26 June 2020.

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, and 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.

The Audit Committee has reviewed the accounting policies adopted by the Group, the consolidated financial statements of the Group for the year ended 31 December 2019 and this annual results announcement.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes to the consolidated financial statements thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's external auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have strictly complied with the Model Code during the year 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 year ended 31 December 2019.

CORPORATE GOVERNANCE

During the year ended 31 December 2019, save as disclosed below, the Company and the Board have been in compliance with the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules:

Under Paragraph A.2.1 in of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year, Mr. Wong Chiu Yeung performed his duties as both the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as chairman and chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

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

This results announcement of the Company for the year ended 31 December 2019 is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.sce-re.com.

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

Hong Kong, China, 30 March 2020

As at the date of this announcement, the executive Directors 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.