中骏集团

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Contracted sales amount increased by 8.2% to approximately RMB40,075,525,000.
- Revenue increased by 45.2% to approximately RMB15,135,207,000.
- Profit for the period increased by 14.7% to approximately RMB2,516,639,000.
- Core profit attributable to owners of the parent[1] increased by 19.2% to approximately RMB1,840,936,000.
- Gross profit margin was 27.9%.
- Cash and bank balances increased by 4.5% to approximately RMB24,981,810,000 as at 30 June 2020.
- Net gearing ratio was 68.3% as at 30 June 2020.
- The Board declared an interim dividend of HK11 cents per ordinary share.

[1] It represents profit attributable to owners of the parent excluding the post-tax net changes in fair value of investment properties of subsidiaries and joint ventures, fair value gain of derivative financial instruments — transactions not qualifying as hedges, net fair value gain/loss of financial assets at fair value through profit or loss, net loss on disposal of subsidiaries and equity-settled share option expenses.

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 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	**Six months ended 30 June 2020 (Unaudited)** *RMB'000*	2019 (Unaudited) *RMB'000*
REVENUE	*4*	**15,135,207**	10,422,829
Cost of sales		**(10,910,258)**	(7,412,249)
Gross profit		**4,224,949**	3,010,580
Other income and gains	*4*	**624,719**	759,796
Changes in fair value of investment properties, net		**462,241**	732,250
Selling and marketing expenses		**(311,609)**	(231,294)
Administrative expenses		**(1,029,044)**	(628,687)
Other expenses		**(156,174)**	–
Finance costs	*5*	**(248,720)**	(266,873)
Share of profits and losses of:			
Joint ventures		**16,964**	(117,468)
Associates		**(23,490)**	(16,668)
PROFIT BEFORE TAX	*6*	**3,559,836**	3,241,636
Income tax expense	*7*	**(1,043,197)**	(1,047,616)
PROFIT FOR THE PERIOD		**2,516,639**	2,194,020
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of joint ventures		**(3,596)**	(53)
Share of other comprehensive loss of associates		**(10)**	–
Exchange differences on translation of foreign operations		**(405,665)**	(52,073)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(409,271)**	(52,126)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		**(409,271)**	(52,126)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,107,368**	2,141,894

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
Profit attributable to:			
Owners of the parent		**2,114,397**	1,916,809
Holders of perpetual capital instruments		**–**	31,850
Non-controlling interests		**402,242**	245,361
		2,516,639	2,194,020
Total comprehensive income attributable to:			
Owners of the parent		**1,751,996**	1,866,493
Holders of perpetual capital instruments		**–**	31,850
Non-controlling interests		**355,372**	243,551
		2,107,368	2,141,894
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**RMB50.6 cents**	RMB46.5 cents
Diluted		**RMB49.6 cents**	RMB45.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment		**808,373**	827,422
Investment properties		**27,143,443**	22,631,743
Intangible asset		**3,069**	3,153
Properties under development		**10,879,952**	13,248,794
Contract in progress		**344,968**	343,244
Investments in joint ventures		**12,330,839**	8,863,038
Investments in associates		**1,084,091**	1,036,532
Prepayments and other assets		**1,128,729**	4,969,729
Deferred tax assets		**704,876**	714,805
Total non-current assets		**54,428,340**	52,638,460
CURRENT ASSETS			
Properties under development		**54,686,717**	49,136,052
Completed properties held for sale		**9,508,292**	8,021,749
Trade receivables	*10*	**591,646**	782,142
Prepayments, other receivables and other assets		**11,194,371**	8,449,634
Financial assets at fair value through profit or loss		**752,467**	665,070
Due from related parties		**3,726,696**	4,379,165
Prepaid income tax		**1,711,956**	1,411,122
Restricted cash		**4,035,775**	4,297,558
Pledged deposits		**207,966**	450,253
Cash and cash equivalents		**20,738,069**	19,150,849
Total current assets		**107,153,955**	96,743,594
CURRENT LIABILITIES			
Trade and bills payables	*11*	**17,767,383**	14,959,698
Other payables and accruals		**16,880,439**	12,433,555
Contract liabilities		**34,401,611**	34,902,065
Interest-bearing bank and other borrowings		**9,534,808**	8,858,490
Senior notes and domestic bonds		**11,184,977**	3,436,692
Due to related parties		**9,169,362**	7,505,159
Tax payable		**3,424,220**	2,953,045
Total current liabilities		**102,362,800**	85,048,704
NET CURRENT ASSETS		**4,791,155**	11,694,890
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,219,495**	64,333,350

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
30 June 2020

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**13,707,940**	12,401,766
Senior notes and domestic bonds	**11,080,123**	17,380,134
Lease liabilities	**177,176**	186,421
Deferred tax liabilities	**4,122,081**	4,026,165
Provision for major overhauls	**60,526**	52,677
Total non-current liabilities	**29,147,846**	34,047,163
Net assets	**30,071,649**	30,286,187
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**361,497**	361,497
Reserves	**18,197,431**	17,217,513
	18,558,928	17,579,010
Non-controlling interests	**11,512,721**	12,707,177
Total equity	**30,071,649**	30,286,187

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 2019.

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 2019, 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 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 revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

Except for Amendments to HKFRS 3 *Definition of a Business* and Amendments to HKAS 1 and HKAS 8 *Definition of Material*, other amendments and interpretations are applied for the first time in 2020, but do not have significant impact on the unaudited interim condensed consolidated financial statements.

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any significant 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of properties	**14,686,375**	10,066,254
Property management fees	**233,061**	159,177
Project management income	**61,326**	64,006
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	**3,562**	–
Other lease payments, including fixed payments	**150,883**	133,392
	15,135,207	10,422,829

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**83,382**	81,724
Consultancy service income	**90,532**	–
Gain on disposal of items of property and equipment, net	**99**	76
Fair value gain on financial assets at fair value through profit or loss, net	**56,511**	–
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	**–**	15,300
Fair value gain on remeasurement of investment in joint ventures	**151,560**	–
Gain on bargain purchase	**33,673**	563,844
Gain on disposal of a joint venture	**–**	14,046
Gain on disposal of investment properties	**11,157**	–
Foreign exchange differences, net	**17,102**	–
Others	**180,703**	84,806
	624,719	759,796

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank and other borrowings, senior notes and domestic bonds	**1,612,469**	1,406,794
Interest on lease liabilities	**9,053**	9,924
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**2,548**	2,208
Total interest expense on financial liabilities not at fair value through profit or loss	**1,624,070**	1,418,926
Less: Interest capitalised	**(1,375,350)**	(1,152,053)
	248,720	266,873

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of properties sold	**10,800,553**	7,295,841
Cost of services provided	**109,622**	116,325
Depreciation of property and equipment	**22,018**	28,030
Depreciation of right-of-use assets	**24,167**	30,036
Amortisation of an intangible asset	**83**	83
Lease payments not included in the measurement of lease liabilities	**4,658**	–
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	**728,600**	389,591
Equity-settled share option expenses	**21,429**	71,048
Pension scheme contributions	**73,929**	92,335
Less: Amount capitalised	**(196,677)**	(174,382)
	627,281	378,592
Foreign exchange differences, net	**(17,102)**	18,313
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	**–**	(15,300)
Fair value loss/(gain) of financial assets at fair value through profit or loss, net	**(56,511)**	18,536
Fair value gain on remeasurement of investment in joint ventures	**(151,560)**	–
Gain on disposal of investment properties	**(11,157)**	–
Gain on disposal of items of property and equipment, net	**(99)**	(76)
Loss on disposal of subsidiaries, net	**156,174**	–

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 2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current charge for the period:		
PRC corporate income tax	**894,972**	685,072
PRC land appreciation tax	**182,903**	188,147
Under-provision in prior years, net:		
Mainland China	**29,797**	18,176
	1,107,672	891,395
Deferred tax charged/(credited) for the period	**(64,475)**	156,221
Total tax charge for the period	**1,043,197**	1,047,616

8. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interim — HK11 cents (six months ended 30 June 2019: HK10 cents) per ordinary share	**419,414**	362,770

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 4,182,133,380 (six months ended 30 June 2019: 4,123,576,711) 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	**2,114,397**	1,916,809

	Number of shares Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**4,182,133,380**	4,123,576,711
Effect of dilution — weighted average number of ordinary shares: Share options	**83,149,916**	77,151,142
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**4,265,283,296**	4,200,727,853

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 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Current to 90 days	**524,502**	697,530
91 to 180 days	**60,527**	76,036
181 to 365 days	**19**	123
Over 365 days	**6,598**	8,453
	591,646	782,142

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 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within 1 year	**17,531,672**	14,702,354
Over 1 year	**235,711**	257,344
	17,767,383	14,959,698

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 the first half of 2020, the COVID-19 pandemic spread around the world, having a huge impact on the world's economy. The pandemic also had an enormous impact on land transactions and sales volume for China's real estate industry in the first quarter. In order to stimulate economic growth, the Chinese central government adopted proactive fiscal policies and suitably eased monetary policies in the first quarter, maintaining a high level of market liquidity. Interest rates for loans have been lowered in light of the relatively looser real estate financing environment, and home-buyers' confidence has increased since China started to get the pandemic under control in March. At the same time, real estate policies for different tiers of cities have become more flexible, and many local governments have increased supply and demand side policy stimulus. Additionally, pent-up housing demand in the first quarter was being released, and by the second quarter, the real estate market continued to get back on track. Transaction amounts and area for May and June this year showed breakthrough growth compared to previous months. Overall, the first half of 2020 exhibited initial lows followed by highs, and transactions shrank slightly compared to the same period last year. Data from the National Bureau of Statistics shows that in the first half of 2020, the sales amount of commodity house was approximately RMB6,689.5 billion, representing a decrease of 5.4% compared with the same period last year, including a 2.8% drop in residential sales. The sales area of commodity house was approximately 694 million sq.m., dropping 8.4% compared to the same period last year, including a 7.6% drop in residential housing sales area.

BUSINESS OVERVIEW

Contracted Sales

In the six months ended 30 June 2020, the Group together with its joint ventures and associates achieved a contracted sales amount reaching approximately RMB40.076 billion (including the contracted sales amount of approximately RMB22.561 billion from the joint ventures and associates), and contracted sales area was about 2.73 million sq.m., (including the contracted sales area of approximately 1.18 million sq.m. from the joint ventures and associates), representing a year-on-year growth of 8.2% and decrease of 8.0%, respectively. The average selling price of properties during the period was RMB14,680 per sq.m., representing an increase of 17.6% compared with the same period last year. With regards to its sales strategy, the Group requires all project companies have a profound understanding of the market and their customer base, and have a handle on inherent practices and logic, ensuring that the right judgements and policy decisions are made. They shall also take advantage of pent-up purchasing power accumulated in the market during the pandemic and ample saleable products in the second quarter to accelerate sales and to shore up cash flow as top priority.

In the first half of 2020, the Group together with its joint ventures and associates had an aggregate of over 100 projects for sale in 45 cities, mainly in second-tier and strong third-tier cities. Among them, 15 projects were newly launched in the year, details of which are listed as follows:

City	**Project Name**
Zhangzhou	Cloudview Palace
Zhangzhou	Parkview Palace
Heyuan	Funworld
Shanwei	Century Palace
Xiamen	The Regent
Shangrao	Cloudview Terrace
Shangqiu	Imperial Manor
Qingdao	Parkview Palace
Taizhou (泰州)	Parkview Mount
Lishui	Mansion Park
Yiwu	Garden Mansion
Jiaxing	Parkview Palace
Taizhou (台州)	Powerlong Plaza
Suqian	Sky Mansion
Hangzhou	China Chic

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	54,413	2,551	6.4
Chongqing	299,611	2,434	6.1
Tianjin	134,098	1,781	4.4
Nanjing	123,740	2,573	6.4
Hangzhou	81,999	1,590	4.0
Suzhou	78,420	2,131	5.3
Xiamen	130,573	6,716	16.8
Kunming	196,931	2,397	6.0
Wuxi	79,989	1,210	3.0
Quanzhou	240,033	2,192	5.5
Xuzhou	184,989	1,793	4.5
Lishui	73,905	1,295	3.2
Taizhou (台州)	67,952	1,415	3.5
Others	983,346	9,998	24.9
Total	**2,729,999**	**40,076**	**100.0**

An analysis of distribution across cities shows that contracted sales in the second-tier cities of Xiamen, Nanjing, Chongqing and first-tier city of Beijing, have performed the best at approximately RMB6.716 billion, RMB2.573 billion, RMB2.434 billion and RMB2.551 billion, respectively. These cities have given our Group an exceptional sales record. In addition, Quanzhou exhibited the best performance amongst third-tier cities, with a contracted sales amount of approximately RMB2.192 billion, representing 5.5% of total contracted sales amount.

By Region

Region	**Contracted Sales Area** *(sq.m.)*	**Contracted Sales Amount** *(RMB Million)*	**Percentage of Contracted Sales Amount** *(%)*
Yangtze River Delta Economic Zone	956,115	15,782	39.4
West Taiwan Strait Economic Zone	571,654	10,531	26.3
Central Western Region	789,046	6,720	16.8
Bohai Rim Economic Zone	327,437	5,696	14.2
Guangdong — Hong Kong — Macao Greater Bay Area	85,747	1,347	3.3
Total	**2,729,999**	**40,076**	**100.0**

Due to the large number of new projects for sale in the West Taiwan Strait Economic Zone and Yangtze River Delta Economic Zone, the majority contracted sales amount of the Group together with its joint ventures and associates are concentrated in these two regions at 26.3% and 39.4%, respectively. This represents an increase of 106.3% and 15.8%, and contracted sales amount of RMB10.531 billion and RMB15.782 billion, respectively. Contracted sales amount of Central Western Region also reached a new high this half year, at RMB6.720 billion, representing 16.8% of total contracted sales amount.

By City Tier

City Tier	**Contracted Sales Area** *(sq.m.)*	**Contracted Sales Amount** *(RMB Million)*	**Percentage of Contracted Sales Amount** *(%)*
First-tier cities	68,790	2,979	7.4
Second-tier cities	1,359,746	24,326	60.7
Third- and fourth-tier cities	1,301,463	12,771	31.9
Total	**2,729,999**	**40,076**	**100.0**

An analysis of different tiers of cities shows that the popularity of new projects in Xiamen and our development of second-tier cities in previous years have caused contracted sales amount in second-tier cities to continue to reach new highs, contributing approximately 60.7% of sales amount, an increase of 56.6% from the same period last year, with a worth of RMB24.326 billion. Contracted sales amount reached RMB2.979 billion for first-tier cities, and RMB12.771 billion for third- and fourth-tier cities.

Recognised Property Sales Income

During the period, the Group recognised a property sales income of approximately RMB14.686 billion and delivered property area of 1,974,545 sq.m., representing a year-on-year increase of 45.9% and 109.3%, respectively. The average selling price of properties was approximately RMB7,438 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** *(%)*
Shenzhen	43,286	1,376	9.4
Kunming	175,618	1,239	8.4
Tianjin	89,861	692	4.7
Quanzhou	507,800	3,993	27.2
Xuzhou	260,802	1,843	12.6
Dezhou	160,913	1,108	7.5
Shangqiu	127,267	753	5.1
Shangrao	108,945	709	4.8
Other	500,053	2,973	20.3
Total	**1,974,545**	**14,686**	**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	381,256	2,866	19.5
West Taiwan Strait Economic Zone	679,247	5,104	34.8
Guangdong — Hong Kong — Macao Greater Bay Area	43,286	1,376	9.4
Yangtze River Delta Economic Zone	296,953	2,024	13.8
Central Western Region	573,803	3,316	22.5
Total	**1,974,545**	**14,686**	**100.0**

By City Tier

City Tier	Recognised Property Sales Area	Recognised Property Sales Income	Percentage of Recognised Property Sales Income
	(sq.m.)	*(RMB Million)*	*(%)*
First-tier cities	48,657	1,526	10.4
Second-tier cities	431,269	3,041	20.7
Third-fourth-tier cities	1,494,619	10,119	68.9
Total	**1,974,545**	**14,686**	**100.0**

Land Bank

During the first quarter of 2020, under the impact of the COVID-19 pandemic, land auctions of most cities had been delayed, and land transactions volume fell noticeably. Some cities allowed property developers to delay payments for land, extended the completion time allowed for construction projects, and introduced other support policies. At the same time, the central bank reduced reserve requirements ratio and interest rates, along with other measures. These measures improved corporate cash reserves, and since the second quarter, property developers ramped up their eagerness on land investments. During this period, the Group continued to uphold the "One Body Two Wings" development model, focusing on the West Taiwan Strait Economic Zone, Central Western Region, and Guangdong-Hong Kong-Macao Greater Bay Area. The Group will adhere to its two-pronged approach, namely the development of shopping centres and long-term rental apartments, forming a synergy with the property development business. This strategy assists the Group to acquire prime land at a low price and improves property development operations. In the first half of 2020, the Group together with its joint ventures and associates were proactive in expanding their land reserves, adding a total of 10 new projects located across eight cities, including Xiamen, Fuzhou, Weifang, Xuchang and others. The aggregate land cost was approximately RMB19.431 billion (the Group's attributable land cost was approximately RMB15.354 billion), and the aggregate above-ground buildable area was approximately 3.32 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 per sq.m.)	Percentage of Interest Attributable to the Group (%)
Bohai Rim Economic Zone						
Weifang	Funworld	Commercial	97,634	67	682	100%
Weifang	Parkview Mount	Residential	293,868	309	1,050	100%
Yangtze River Delta Economic Zone						
Zhangjiagang	Imperial Manor	Residential and commercial	324,797	748	2,304	90%
West Taiwan Strait Economic Zone						
Xiamen	The Skyland	Residential and commercial	210,000	10,355	49,310	65%
Fuzhou	Imperial Manor	Residential and commercial	330,062	4,560	13,816	99%
Guangdong — Hong Kong — Macao Greater Bay Area						
Jieyang	Funworld	Residential and commercial	501,874	690	1,375	53%
Shaoguan	Royal Bay	Residential	457,612	900	1,968	100%
Central Western Region						
Xiangtan	Funworld	Residential and commercial	741,812	1,321	1,780	100%
Xuchang	Parkview Mount	Residential	167,188	221	1,322	100%
Xuchang	Imperial Manor	Residential	195,199	260	1,334	100%
			3,320,046	19,431	5,853	

As at 30 June 2020, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 33.03 million sq.m. (the aggregate planned GFA attributable to the Group was 20.06 million sq.m.), distributing in 54 cities. From the perspective of geographic distribution, the land bank costs (excluding investment properties) 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 accounted for 32.9%, 20.4%, 26.9%, 6.2% and 13.6% respectively. Considering the city tier, the land bank costs (excluding investment properties) of the Group together with its joint ventures and associates located in first-tier, second-tier as well as third- and fourth-tier cities accounted for 8.9%, 68.5% and 22.6% respectively.

Debt Management

The capital market was volatile due to the spread of the COVID-19 pandemic in the first half of 2020. Despite this, the Group was able to take advantage of the windows to complete certain financing and refinancing activities, successfully extending average tenor and lowering financing costs. In January 2020, the Company successfully issued additional offshore senior notes due 2024 with aggregate principal amount of US$150,000,000 at yield of 6.5%. The additional senior notes have been consolidated and formed a single class with the senior notes at coupon rate of 7.375% with aggregate principal amount of US$350,000,000 issued in April 2019. Moreover, the Company has utilised a dual tranche term facility with principal amounts of HK$516,000,000 and US$180,000,000 in the first quarter of 2020. The loan matures in three years and six months and the annual interest rate is the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate plus 3.6%. In the domestic capital market, the Group successfully issued the domestic corporate bonds of RMB1,460,000,000 in July 2020 at a coupon rate of 5.5% and matures in four years. At the end of the second year subsequent to the inception date, the Group is entitled to adjust the interest rate and the holders of the domestic bonds may at their options sell back the bonds to the Group.

As at 30 June 2020, the coverage ratio of cash and bank balances to short-term loans was 1.2 times, showing that the Group had ample funds and liquidity. In the first half of 2020, average financing costs was 6.7%, which is similar to that of the same period last year.

OUTLOOK

Our Group believes that the worst of the COVID-19 pandemic in China is over, and the Chinese economy will slowly recover over the latter half of the year. But as there are more and more uncertainties in the wider scheme of things both domestically and abroad, there will still be burdens to economic growth. We believe that the government will continue its proactive fiscal policies and relatively relaxed monetary policies into the latter half of the year, in order to maintain market liquidity. A relatively relaxed financial environment can benefit the real estate industry. The central government will continue its stance that "No Speculation of Residential Properties", as well as its principle of tailoring real estate policies to different cities. Therefore, we anticipate that the real estate market will remain stable for the latter half of the year.

As new types of urbanisation strategies are implemented, cities and city clusters in the east, central, and western parts of the country will continue to have a developmental advantage, as they are attractive destinations for talents. The Group will pay close attention to information concerning land in the West Taiwan Strait Economic Zone, Yangtze River Economic Zone, and Guangdong-Hong Kong-Macao Greater Bay Area. However, we will not get ahead of ourselves in an attempt to be at the top of the pack. Our Group will continue to implement the "One Body Two Wings" development plan, helping our Group to acquire land at a reasonable price, and providing stable rental income and asset management income. In the latter half of 2020, the Group plans to launch a large number of new projects in the West Taiwan Strait Economic Zone, Bohai Rim Economic Zone, and Central Western Region, with the intent of improving residential accommodations. With ample and balanced saleable resources, the Company is confident we can achieve the RMB93 billion contracted sales goal for this year that we set at the beginning of the year.

FINANCIAL REVIEW

Revenue

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

The revenue increased significantly by 45.2% from approximately RMB10,422,829,000 in the first half of 2019 to approximately RMB15,135,207,000 in the first half of 2020, which was attributable to the increase in property sales income.

- *Sales of properties*

  Income from property sales increased significantly by 45.9% from approximately RMB10,066,254,000 in the first half of 2019 to approximately RMB14,686,375,000 in the first half of 2020. Delivered property area increased significantly by 109.3% from 943,545 sq.m. in the first half of 2019 to 1,974,545 sq.m. in the first half of 2020. The average unit selling price decreased from RMB10,669 per sq.m. in the first half of 2019 to RMB7,438 per sq.m. in the first half of 2020.

- *Rental income*

  Rental income increased by 15.8% from approximately RMB133,392,000 in the first half of 2019 to approximately RMB154,445,000 in the first half of 2020, which was mainly attributable to the larger contribution of rental income from 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 46.4% from approximately RMB159,177,000 in the first half of 2019 to approximately RMB233,061,000 in the first half of 2020, which was mainly attributable to the increase in number and floor area of properties under the management.

- *Project management income*

  The project management income decreased by 4.2% from approximately RMB64,006,000 in the first half of 2019 to approximately RMB61,326,000 in the first half of 2020, which was attributable to the income from the project management service and other property related service provided to joint ventures.

Gross Profit

Gross profit increased significantly by 40.3% from approximately RMB3,010,580,000 in the first half of 2019 to approximately RMB4,224,949,000 in the first half of 2020. Gross profit margin decreased from 28.9% in the first half of 2019 to 27.9% in the first half of 2020. 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 decreased significantly by 36.9% from approximately RMB732,250,000 in the first half of 2019 to approximately RMB462,241,000 in the first half of 2020. The fair value gains of investment properties during the period were mainly attributable to the value appreciation of certain shopping malls and long-term rental apartments.

Selling and Marketing Expenses

Selling and marketing expenses increased significantly by 34.7% from approximately RMB231,294,000 in the first half of 2019 to approximately RMB311,609,000 in the first half of 2020. 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 63.7% from approximately RMB628,687,000 in the first half of 2019 to approximately RMB1,029,044,000 in the first half of 2020. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs to cope with the needs for business expansion.

Finance Costs

Finance costs decreased by 6.8% from approximately RMB266,873,000 in the first half of 2019 to approximately RMB248,720,000 in the first half of 2020. 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 by 14.5% from approximately RMB1,418,926,000 in the first half of 2019 to approximately RMB1,624,070,000 in the first half of 2020.

Share of Profits and Losses of Joint Ventures and Associates

Share of losses of joint ventures and associates decreased significantly by approximately 95.1% from approximately RMB134,136,000 in the first half of 2019 to approximately RMB6,526,000 in the first half of 2020. The losses were mainly attributable to the operating expenses of projects under development of joint ventures and associates during the period.

Income Tax Expense

Income tax expense amounted to approximately RMB1,043,197,000 in the first half of 2020, which was approximately RMB1,047,616,000 in the first half of 2019. The income tax expense charged for the period as a percentage of profit before tax decreased from approximately 32.3% in the first half of 2019 to approximately 29.3% in the first half of 2020. The decrease was mainly due to the decrease in gross profit margin.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased by 10.3% from approximately RMB1,916,809,000 in the first half of 2019 to approximately RMB2,114,397,000 in the first half of 2020. Basic earnings per share amounted to approximately RMB50.6 cents in the first half of 2020. Core profit attributable to owners of the parent increased by 19.2% from approximately RMB1,543,997,000 in the first half of 2019 to approximately RMB1,840,936,000 in the first half of 2020.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2020, the Group's cash and bank balances were denominated in different currencies as set out below:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Renminbi	**20,148,285**	20,974,502
Hong Kong dollars	**1,917,188**	1,837,305
US dollars	**2,916,337**	1,086,853
Total cash and bank balances	**24,981,810**	23,898,660

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 2020, the amount of restricted cash and pledged deposits were approximately RMB4,035,775,000 (31 December 2019: approximately RMB4,297,558,000) and approximately RMB207,966,000 (31 December 2019: approximately RMB450,253,000), respectively.

Borrowings and Pledged Assets

The maturity of the borrowings of the Group as at 30 June 2020 is as follows:

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Bank and other borrowings:		
Within one year or on demand	**9,534,808**	8,858,490
In the second year	**6,193,280**	6,529,786
In the third to fifth years, inclusive	**6,488,711**	4,761,871
Beyond fifth years	**1,025,949**	1,110,109
	23,242,748	21,260,256
Senior notes and domestic bonds:		
Within one year or on demand	**11,184,977**	3,436,692
In the second year	**3,512,640**	7,574,832
In the third to fifth years, inclusive	**7,567,483**	9,805,302
	22,265,100	20,816,826
Total borrowings	**45,507,848**	42,077,082

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

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Bank and other borrowings:		
Renminbi	**18,010,587**	17,846,768
Hong Kong dollars	**3,933,984**	3,351,778
US dollars	**1,298,177**	61,710
	23,242,748	21,260,256
Senior notes and domestic bonds:		
Renminbi	**3,980,842**	3,976,692
US dollars	**18,284,258**	16,840,134
	22,265,100	20,816,826
Total borrowings	**45,507,848**	42,077,082

As at 30 June 2020, approximately RMB18,546,435,000 (31 December 2019: approximately RMB18,043,449,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, properties under development and completed properties held for sale with a total carrying value of approximately RMB51,924,658,000 (31 December 2019: approximately RMB44,342,558,000), and capital stocks of certain subsidiaries. The senior notes of US$500,000,000 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$600,000,000 at a coupon rate of 7.45% due 2021 issued in April 2018 (the "**2018 Senior Notes**"), the senior notes of US$500,000,000 at a coupon rate of 8.75% due 2021 issued in January 2019 (the "**2019 January Senior Notes**"), the senior notes of US$500,000,000 at a coupon rate of 7.375% due 2024 issued in April 2019 and January 2020 (the "**2019 April Senior Notes**"), the senior notes of US$500,000,000 at a coupon rate of 7.25% due 2023 issued in July 2019 (the "**2019 July Senior Notes**") and approximately RMB4,340,750,000 (31 December 2019: approximately RMB2,868,147,000) 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 2020, except for certain bank and other borrowings of approximately RMB3,360,620,000 (31 December 2019: approximately RMB5,961,790,000) 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, 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 RMB540,000,000 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 30 June 2020, the net gearing ratio was 68.3% (31 December 2019: 60.0%).

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 2020, 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 30 June 2020. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

CORPORATE GOVERNANCE

During the six months ended 30 June 2020, 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, and 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 2020 and had no disagreement with the accounting treatment adopted by the Group.

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 HK11 cents per ordinary share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK10 cents). The interim dividend will be payable on or about 8 October 2020 to shareholders whose names appear on the register of members of the Company on 11 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 11 September 2020, 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 2020, 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 Thursday, 10 September 2020.

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 2020 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, 19 August 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.