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 2021

FINANCIAL HIGHLIGHTS

- Contracted sales amount increased by 47.3% to approximately RMB59,051,009,000.
- Revenue increased by 34.7% to approximately RMB20,386,569,000.
- Gross profit margin was 25.1%.
- Profit for the period increased by 7.7% to approximately RMB2,710,944,000.
- Profit attributable to owners of the parent increased by 12.4% to approximately RMB2,377,072,000.
- Core profit attributable to owners of the parent[1] increased by 20.1% to approximately RMB2,210,366,000.
- The Board declared an interim dividend of HK12 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, net fair value gain 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 2021, together with the comparative figures for the corresponding period in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Notes	**Six months ended 30 June 2021 (Unaudited)** *RMB'000*	2020 (Unaudited) *RMB'000*
REVENUE	*4*	**20,386,569**	15,135,207
Cost of sales		**(15,276,786)**	(10,910,258)
Gross profit		**5,109,783**	4,224,949
Other income and gains	*4*	**350,903**	624,719
Changes in fair value of investment properties, net		**256,724**	462,241
Selling and marketing expenses		**(566,028)**	(311,609)
Administrative expenses		**(771,500)**	(1,029,044)
Other expenses		**(149,251)**	(156,174)
Finance costs	*5*	**(253,481)**	(248,720)
Share of profits and losses of:			
Joint ventures		**184,143**	16,964
Associates		**18,568**	(23,490)
PROFIT BEFORE TAX	*6*	**4,179,861**	3,559,836
Income tax expense	*7*	**(1,468,917)**	(1,043,197)
PROFIT FOR THE PERIOD		**2,710,944**	2,516,639
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		**(4,939)**	(3,596)
Share of other comprehensive income/(loss) of associates		**26**	(10)
Exchange differences on translation of foreign operations		**160,647**	(405,665)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**155,734**	(409,271)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**155,734**	(409,271)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,866,678**	2,107,368

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Profit attributable to:			
Owners of the parent		**2,377,072**	2,114,397
Non-controlling interests		**333,872**	402,242
		2,710,944	2,516,639
Total comprehensive income attributable to:			
Owners of the parent		**2,507,612**	1,751,996
Non-controlling interests		**359,066**	355,372
		2,866,678	2,107,368
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**RMB56.3 cents**	RMB50.6 cents
Diluted		**RMB55.7 cents**	RMB49.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	**30 June 2021 (Unaudited)** ***RMB'000***	31 December 2020 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**799,389**	827,345
Investment properties		**30,412,819**	29,329,219
Intangible asset		**2,903**	2,986
Properties under development		**10,714,967**	9,852,502
Contract in progress		**349,810**	345,518
Investments in joint ventures		**14,883,327**	13,741,153
Investments in associates		**1,938,674**	899,806
Prepayments and other assets		**5,742,356**	3,107,817
Deferred tax assets		**1,070,448**	981,237
Total non-current assets		**65,914,693**	59,087,583
CURRENT ASSETS			
Properties under development		**67,715,710**	64,671,346
Completed properties held for sale		**9,298,529**	7,775,568
Trade receivables	*10*	**362,264**	241,493
Prepayments, other receivables and other assets		**9,587,444**	9,398,292
Financial assets at fair value through profit or loss		**933,956**	816,687
Due from related parties		**2,669,323**	3,512,370
Prepaid income tax		**1,984,520**	1,711,340
Restricted cash		**4,254,847**	4,305,393
Pledged deposits		**182,068**	679,283
Cash and cash equivalents		**15,306,042**	18,415,066
Total current assets		**112,294,703**	111,526,838
CURRENT LIABILITIES			
Trade and bills payables	*11*	**13,908,987**	11,806,110
Other payables and accruals		**13,702,489**	13,811,236
Contract liabilities		**48,340,238**	45,695,562
Interest-bearing bank and other borrowings		**8,707,076**	9,390,257
Senior notes and domestic bonds		**3,755,308**	4,449,796
Due to related parties		**3,219,250**	5,346,192
Tax payable		**4,283,304**	3,554,757
Total current liabilities		**95,916,652**	94,053,910
NET CURRENT ASSETS		**16,378,051**	17,472,928
TOTAL ASSETS LESS CURRENT LIABILITIES		**82,292,744**	76,560,511

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
30 June 2021

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**20,863,181**	16,285,355
Senior notes and domestic bonds	**17,228,416**	16,437,468
Lease liabilities	**258,195**	279,697
Deferred tax liabilities	**4,311,739**	4,344,758
Provision for major overhauls	**65,004**	60,619
Total non-current liabilities	**42,726,535**	37,407,897
Net assets	**39,566,209**	39,152,614
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**365,064**	365,064
Reserves	**21,739,235**	20,633,339
	22,104,299	20,998,403
Non-controlling interests	**17,461,910**	18,154,211
Total equity	**39,566,209**	39,152,614

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 2020.

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 2020, 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 and the change in accounting policy 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 and financial assets at fair value through profit or loss, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*

The nature and the impact of the changes are described below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

The Group has changed its accounting policy of the classification of the interest paid in the condensed consolidated statement of cash flows from operating activities to financing activities during the current period (the "Policy Change") so as to provide reliable and more relevant information of cash flows generated from financial liabilities. In the opinion of the directors of the Company, it is more appropriate to reflect all cash flows of the Group's borrowings as financing activities in the condensed consolidated statement of cash flows and the Policy Change can result in a consistent presentation which is beneficial to users of the financial statements to understand all the related cash flows of the same financial liabilities and provides more comparable information with industry peers.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management 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 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of properties	**19,708,037**	14,686,375
Property management fees	**425,203**	233,061
Project management income	**46,290**	61,326
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	**4,719**	3,562
Other lease payments, including fixed payments	**202,320**	150,883
	20,386,569	15,135,207

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**59,439**	83,382
Consultancy service income	**49,244**	90,532
Gain on disposal of items of property and equipment, net	**21,030**	99
Fair value gain on financial assets at fair value through profit or loss, net	**125,329**	56,511
Fair value gain on remeasurement of investments in joint ventures	**–**	151,560
Gain on bargain purchase	**–**	33,673
Gain on disposal of investment properties	**5,225**	11,157
Foreign exchange differences, net	**–**	17,102
Government grants	**20,911**	26,731
Others	**69,725**	153,972
	350,903	624,719

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank and other borrowings, senior notes and domestic bonds	**1,667,619**	1,612,469
Interest on lease liabilities	**12,442**	9,053
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**1,552**	2,548
Total interest expense on financial liabilities not at fair value through profit or loss	**1,681,613**	1,624,070
Less: Interest capitalised	**(1,428,132)**	(1,375,350)
	253,481	248,720

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of properties sold	**14,840,595**	10,800,553
Cost of services provided	**352,173**	109,622
Depreciation of property and equipment	**34,145**	22,018
Depreciation of right-of-use assets	**37,087**	24,167
Amortisation of an intangible asset	**83**	83
Lease payments not included in the measurement of lease liabilities	**5,935**	4,658
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	**627,576**	728,600
Equity-settled share option expense	**–**	21,429
Pension scheme contributions	**107,963**	73,929
Less: Amount capitalised	**(281,360)**	(196,677)
	454,179	627,281
Foreign exchange differences, net	**33,740**	(17,102)
Write down to net realisable value of completed properties held for sale	**83,935**	–
Loss on disposal of subsidiaries, net	**149,251**	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 2020: 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current charge for the period:		
PRC corporate income tax	**1,263,362**	894,972
PRC land appreciation tax	**315,780**	182,903
Under-provision in prior years, net:		
Mainland China	**7,510**	29,797
	1,586,652	1,107,672
Deferred tax credited for the period	**(117,735)**	(64,475)
Total tax charge for the period	**1,468,917**	1,043,197

8. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interim — HK12 cents (six months ended 30 June 2020: HK11 cents) per ordinary share	**421,436**	419,414

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 4,222,133,380 (six months ended 30 June 2020: 4,182,133,380) 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	**2,377,072**	2,114,397

	Number of shares	
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**4,222,133,380**	4,182,133,380
Effect of dilution — weighted average number of ordinary shares:		
Share options	**47,291,432**	83,149,916
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**4,269,424,812**	4,265,283,296

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 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Current to 90 days	**297,117**	212,531
91 to 180 days	**38,819**	16,761
181 to 365 days	**14,994**	2,944
Over 365 days	**11,334**	9,257
	362,264	241,493

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 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Within 1 year	**13,565,156**	11,540,147
Over 1 year	**343,831**	265,963
	13,908,987	11,806,110

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 2021, despite a new round of real estate regulation policies introduced by local governments, China's real estate market remained active, with prices and volumes rising in tandem. Due to the price restriction policies in various cities, the destocking in hotspot cities was significantly accelerated. At the same time, the introduction of the "Centralised Land Supply" policy has significantly increased land supply in key cities, which is expected to reduce the heat of the land market, stabilise housing price expectations and alleviate the shortage of housing supply in key cities. Another policy is the tightening of the financing pipeline by capping the aggregate loan amount, and the focus was on controlling the growth rate of interest-bearing debts of real estate enterprises by means of the "Three Red Lines", strengthening the scrutiny of the source of funds for home buyers and increasing the supervision of the inflow of non-compliance bank funds into the real estate market. Overall, the real estate sales market continued to improve in the first half of 2021.

Data from the National Bureau of Statistics shows that in the first half of 2021, the sales amount of national commodity house was approximately RMB9,293.1 billion, representing an increase of 38.9% compared with the same period last year, including a 41.9% growth in residential housing sales. The sales area of national commodity house was approximately 886 million sq.m., growth of 27.7% compared to the same period last year, including a 29.4% increase in residential housing sales area.

BUSINESS REVIEW

Contracted Sales

For the six months ended 30 June 2021, the Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB59.051 billion and the contracted sales area of approximately 3.71 million sq.m., representing a year-on-year growth of 47.3% and 35.8%, respectively. The average selling price of properties during the period was RMB15,931 per sq.m., representing an increase of 8.5% compared with the same period last year. With regards to its sales strategy, in order to stimulate the initiative of the marketing department and enhance the operational efficiency and effectiveness of the projects, the composition of key performance indicators, scoring rules and bonus payment requirements of the projects of each city company were clarified; and each city company was encouraged to take all active measures to achieve rapid opening of the projects and quick return of cash flow. This year, for the first time, the "1469" development efficiency target was implemented for commercial and residential complex projects. Through the launch of the pre-positioning process of the project, the Group was able to achieve the target of starting construction in one month after land acquisition, opening the sales office in four months, commencing sales in six months and returning cash flow to positive in nine months, which greatly enhanced the development and operation efficiency and helped the Group achieve quality growth in scale.

In the first half of 2021, the Group together with its joint ventures and associates had an aggregate of over 150 projects for sale in over 50 cities, mainly in second-tier and core areas of high potential third- and fourth-tier cities. Among them, 19 projects were newly launched in the year, details of which are listed as follows:

City	**Project Name**
Xiamen	Glory Sky
Fuzhou	Imperial Manor
Chongqing	Parkview Mount
Zhengzhou	Cloudview Palace
Quanzhou	Imperial Palace
Quanzhou	Imperial Terrace
Quanzhou	Mansion
Longyan	Imperial Manor
Shangrao	Parkview Mount
Nantong	Parkview Mount
Jiaxing	Maple Mansion
Meizhou	The Royal Bay
Pingdingshan	Parkview Manor
Zhumadian	Parkview Mount
Weihai	Imperial Manor
Weifang	Parkview Mount (Zhucheng)
Zhaotong	Parkview Mount
Lincang	Parkview Mount
Shaoguan	Parkview Mount

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	76,037	2,333	4.0
Shanghai	64,085	2,045	3.5
Chongqing	300,959	2,299	3.9
Suzhou	176,549	3,617	6.1
Xiamen	262,705	15,412	26.1
Kunming	256,064	2,410	4.1
Fuzhou	116,506	3,447	5.8
Foshan	103,349	2,034	3.4
Wuxi	103,503	1,211	2.1
Quanzhou	385,646	3,139	5.3
Xuzhou	159,245	1,763	3.0
Yiwu	101,851	2,372	4.0
Taizhou	99,012	1,391	2.4
Other	1,501,230	15,578	26.3
Total	**3,706,741**	**59,051**	**100.0**

By Region

Region	Contracted Sales Area *(sq.m.)*	Contracted Sales Amount *(RMB Million)*	Percentage of Contracted Sales Amount *(%)*
Bohai Rim Economic Zone	285,434	4,378	7.4
West Taiwan Strait Economic Zone	1,087,952	24,832	42.0
Guangdong — Hong Kong — Macao Greater Bay Area	241,492	3,104	5.3
Yangtze River Delta Economic Zone	1,175,062	19,434	32.9
Central Western Region	916,801	7,303	12.4
Total	**3,706,741**	**59,051**	**100.0**

By City Tier

City Tier	Contracted Sales Area *(sq.m.)*	Contracted Sales Amount *(RMB Million)*	Percentage of Contracted Sales Amount *(%)*
First-tier cities	141,897	4,419	7.5
Second-tier cities	1,666,564	35,540	60.2
Third- and fourth-tier cities	1,898,280	19,092	32.3
Total	**3,706,741**	**59,051**	**100.0**

In terms of city distribution, among the second-tier cities, Xiamen, Fuzhou and Suzhou, have the most outstanding contracted sales amount with approximately RMB15.412 billion, RMB3.447 billion and RMB3.617 billion, respectively, which contributed to the Group's outstanding sales results. In addition, Kunming, a new city, contributed RMB2.410 billion in contracted sales to the Group. The Group was also ranked the second in the "Sale Rankings of Commodity Housings among Xiamen's Real Estate Enterprises for the First Half of 2021" (《2021年上半年廈門房企商品房銷售排行榜》) by CRIC. In addition, among the third-tier cities, Quanzhou was the most outstanding performer, with contracted sales amounting to approximately RMB3.139 billion, accounting for approximately 5.3% of the total contracted sales amount. Due to the long-established market in the West Taiwan Strait Economic Zone, and the launch of four new projects in new cities (e.g. Fuzhou, Putian, etc.), this region has become the region with the largest share of contracted sales for the Group and its joint ventures and associates in the first half of 2021, amounting to RMB24.832 billion, accounting for approximately 42.0%.

Land Bank

Since February 2021, China has launched a policy of "Centralised Land Supply" in 22 key cities, which has significantly improved the quantity and quality of land supply, resulting in a high level of enthusiasm for land acquisition by real estate enterprises and relatively high land transaction prices and premium rates. On the contrary, the scale of land supply and the number of transactions in some third- and fourth-tier cities both dropped significantly. Due to the unprecedentedly high thresholds for land auctions, such as high security deposits, restrictions on the number of subsidiaries used by each enterprise to participate in auctions, and some cities even prohibiting real estate enterprises that do not meet the "Three Red Lines" from participating in land auctions, real estate enterprises began to cooperate in land acquisition to reduce the risk of land investment. Since the Group has formally defined the strategy of "One Body Two Wings" (「一體兩翼」), i.e. property development as the main body, SCE Funworld shopping mall and Funlive long-term rental apartment as the two wings, the Group has followed the strategy of land acquisition, while flexibly entering the core areas of high potential third- and fourth-tier cities to occupy the market gaps, our Group will continue to focus on first-tier cities and second-tier core cities to continuously optimise and improve its land bank structure. In the first half of 2021, the Group and its joint ventures and associates actively expanded its land bank by various means in five major regions, adding a total of 19 projects in 16 cities, including Beijing, Shanghai, Tianjin and Suzhou. The aggregate land cost was approximately RMB31.425 billion (the Group's attributable land costs was approximately RMB26.251 billion). The aggregate above-ground GFA on the land was approximately 5.57 million square metres.

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						
Beijing	The Cloudland	Residential and commercial	262,361	4,520	17,228	75%
Tianjin	Imperial Palace	Residential and commercial	106,152	831	7,828	100%
Tianjin	Parkview Bay	Residential and commercial	94,996	810	8,527	50%
Rizhao	SCE Funworld/ Parkview Mount	Residential and commercial	356,875	630	1,765	100%
Binzhou	Parkview Mount	Residential and commercial	671,585	1,381	2,056	100%
Binzhou	SCE Funworld/ Parkview Mount	Residential and commercial	68,306	154	2,259	100%
Yangtze River Delta Economic Zone						
Shanghai	Shanghai Project 1	Commercial	34,422	568	16,501	20%
Shanghai	Shanghai Project 2	Residential and commercial	103,448	1,743	16,849	100%
Hangzhou	Hangzhou Project	Residential and commercial	812,517	9,104	11,205	100%
Suzhou	Suzhou Project	Residential and commercial	75,926	1,220	16,062	40%
Hefei	SCE Funworld/ Parkview Mount	Residential and commercial	383,245	2,918	7,613	100%
Nantong	SCE Funworld/ Imperial Manor	Residential and commercial	356,965	1,500	4,203	51%
Jiaxing	Maple Mansion	Residential	106,317	623	5,864	30%
Luan	CIFI Center	Residential and commercial	502,587	1,007	2,004	30%
West Taiwan Strait Economic Zone						
Quanzhou	Imperial Terrace	Residential	188,995	1,032	5,460	100%
Guangdong — Hong Kong — Macao Greater Bay Area						
Shantou	SCE Funworld/ Imperial Manor	Residential and commercial	463,536	1,830	3,948	80%
Central Western Region						
Chengdu	Parkview Bay	Residential and commercial	98,010	559	5,700	100%
Pingdingshan	Parkview Manor	Residential	415,840	449	1,080	51%
Wenshan	Parkview Mount	Residential	468,004	546	1,168	100%
			5,570,087	31,425	5,642	

As at 30 June 2021, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 39.67 million sq.m. (the aggregate planned GFA attributable to the Group was 28.13 million sq.m.), distributing in 67 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, the Guangdong — Hong Kong — Macao Greater Bay Area and the Central Western Region accounted for 35.3%, 19.9%, 24.6%, 7.2% and 13.0% 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 12.0%, 60.9% and 27.1% respectively.

Debt Management

In the first half of 2021, the Group continued to adhere to its principle of prudent financial management and successfully grasped the market window to complete certain refinancing activities, which effectively extended the average tenor and lowered financing costs, and successfully maintained the "Green Lights" of the "Three Red Lines". In February 2021, the Company successfully issued offshore senior notes due February 2026 with aggregate principal amount of US$350,000,000 at coupon rate of 6%. In March 2021, the Company successfully issued offshore senior notes due September 2024 with aggregate principal amount of US$300,000,000 at coupon rate of 5.95%. Moreover, the Company has utilised a dual tranche term facility with principal amounts of HK$351,000,000 and US$342,500,000 in the first quarter of 2021. 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 3.7%.

As at 30 June 2021, the coverage ratio of unrestricted cash to short-term debt was 1.2 times, showing that the Group had ample funds and liquidity. The liability to asset ratio (excluding contract liabilities) of 69.5% was at a relatively healthy level in the industry. In the first half of 2021, average financing costs was 6.3%, a slight decrease compared to the same period last year.

Successful Spin-off of Property Management Business Through a Separate Listing

The Company successfully spun off its subsidiary, SCE Intelligent Commercial Management Holdings Limited ("**SCE CM**"), which was listed on the Main Board of the Stock Exchange on 2 July 2021 (stock code: 606). The net proceeds raised from the issue of 575,000,000 new shares of SCE CM were approximately HK$2,037.5 million. The successful listing of SCE CM marks a new journey for the Group's commercial and residential property management business. SCE CM will expand its overall operation scale through organic growth and strategic acquisitions, and increase its investment in technology to improve service quality and customer satisfaction through big data, internet, internet of things and customer relationship management systems, thereby enhancing the operational efficiency and competitiveness of SCE CM and reducing operating costs.

SCE CM's services cover residential properties, shopping malls, commercial streets, offices, schools, libraries and other properties. As at 30 June 2021, there were 38 commercial property management and operation projects with a total contracted GFA of approximately 4.90 million sq.m. and 12 commercial projects with a total GFA under management of approximately 1.00 million sq.m. There were 196 residential projects with a total contracted GFA of approximately 37.00 million sq.m. and 113 residential projects with a total GFA under management of approximately 17.60 million sq.m.

OUTLOOK

As the COVID-19 pandemic slowly coming under control, the Group believes that the recovery of the Chinese economy will accelerate in the second half of 2021. However, under the influence of new policies such as the "Three Red Lines", the "New Rules for the Management of Concentration of Real Estate Loans of Banking Financial Institutions" and "Centralised Land Supply", real estate enterprises will not be particularly well-funded and are expected to be more cautious in their land investment in the second half of the year. The Group believes that the "Green Lights" of the "Three Red Lines" and the "One Body Two Wings" (「一體兩翼」) strategy will increase the Group's investment opportunities in residential land and mixed-use land. In addition, although the real estate market in first-tier cities and popular second-tier cities was booming in the first half of the year, it is believed that the central government will continue its stance that "No Speculation of Residential Properties" and the principle of "Policy by City" by implementing regulatory policies in individual cities to prevent the property market from overheating. Therefore, we anticipate that the real estate market will remain stable for the latter half of the year.

With the rapid development of the urbanisation rate and the increase in disposable income of local residents, there is a strong demand for leisure and entertainment facilities such as shopping malls, while the pipeline of mid-to-high-end brands has a tendency to sink to third- and fourth-tier cities with high potential. Therefore, the Group will continue to implement its development plan, helping the Group to acquire land at a reasonable price, and providing stable rental income and asset management income. In terms of marketing, the Group will speed up the pace of property launches in the second half of the year to increase the sell-through rate and speed up the collection of house payments. With ample and balanced saleable resources, the Company is confident to achieve the RMB120 billion contracted sales goal for this year that the Company sets at the beginning of the year.

FINANCIAL REVIEW

Revenue

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

The revenue increased significantly by 34.7% from approximately RMB15,135,207,000 in the first half of 2020 to approximately RMB20,386,569,000 in the first half of 2021, which was attributable to the significant increase in property sales income.

- *Sales of properties*

  Income from property sales increased significantly by 34.2% from approximately RMB14,686,375,000 in the first half of 2020 to approximately RMB19,708,037,000 in the first half of 2021. Delivered property area increased by 9.9% from 1,974,545 sq.m. in the first half of 2020 to 2,169,103 sq.m. in the first half of 2021. The average unit selling price increased from RMB7,438 per sq.m. in the first half of 2020 to RMB9,086 per sq.m. in the first half of 2021.

- *Property management fees*

  Property management fees increased significantly by 82.4% from approximately RMB233,061,000 in the first half of 2020 to approximately RMB425,203,000 in the first half of 2021, which was mainly attributable to the significant increase in number and floor area of properties under the management.

- *Rental income*

  Rental income increased significantly by 34.1% from approximately RMB154,445,000 in the first half of 2020 to approximately RMB207,039,000 in the first half of 2021, which was mainly attributable to the contribution of rental income from the newly opened shopping malls of SCE Funworld in Shuitou and Xianyou.

- *Project management income*

  The project management income decreased by 24.5% from approximately RMB61,326,000 in the first half of 2020 to approximately RMB46,290,000 in the first half of 2021, which was attributable to the decrease in income from the project management service and other property related services provided to joint ventures and associates.

Gross Profit

Gross profit increased by 20.9% from approximately RMB4,224,949,000 in the first half of 2020 to approximately RMB5,109,783,000 in the first half of 2021. Gross profit margin decreased from 27.9% in the first half of 2020 to 25.1% in the first half of 2021. The decrease in gross profit margin was attributable to the impact on unit selling prices of projects as a result of price restriction policy and increase in land cost.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties decreased significantly by 44.5% from approximately RMB462,241,000 in the first half of 2020 to approximately RMB256,724,000 in the first half of 2021. The fair value gains of investment properties during the period were mainly attributable to the value appreciation of certain shopping malls.

Selling and Marketing Expenses

Selling and marketing expenses increased significantly by 81.6% from approximately RMB311,609,000 in the first half of 2020 to approximately RMB566,028,000 in the first half of 2021. 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 decreased by 25.0% from approximately RMB1,029,044,000 in the first half of 2020 to approximately RMB771,500,000 in the first half of 2021. The decrease in administrative expenses was mainly attributable to implementation of stringent cost control and improvement in per capita efficiency.

Finance Costs

Finance costs increased by 1.9% from approximately RMB248,720,000 in the first half of 2020 to approximately RMB253,481,000 in the first half of 2021. 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 3.5% from approximately RMB1,624,070,000 in the first half of 2020 to approximately RMB1,681,613,000 in the first half of 2021.

Share of Profits and Losses of Joint Ventures and Associates

Share of profits and losses of joint ventures and associates changed from losses of approximately RMB6,526,000 in the first half of 2020 to profits of approximately RMB202,711,000 in the first half of 2021. The amount was mainly attributable to the increase in delivery of projects of joint ventures and associates during the period.

Income Tax Expense

Income tax expense increased significantly by 40.8% from approximately RMB1,043,197,000 in the first half of 2020 to approximately RMB1,468,917,000 in the first half of 2021. The Group's income tax expense included provisions for the corporate income tax and land appreciation tax net of deferred tax during the period. The increase is mainly attributable to the increase in provision of land appreciation tax and corporate income tax as a result of the increase of the sales of properties.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased by 12.4% from approximately RMB2,114,397,000 in the first half of 2020 to approximately RMB2,377,072,000 in the first half of 2021. Basic earnings per share amounted to approximately RMB56.3 cents in the first half of 2021. Core profit attributable to owners of the parent increased by 20.1% from approximately RMB1,840,936,000 in the first half of 2020 to approximately RMB2,210,366,000 in the first half of 2021.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2021, the Group's cash and bank balances were denominated in different currencies as set out below:

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Renminbi	**17,446,673**	21,222,705
Hong Kong dollars	**973,084**	385,287
US dollars	**1,323,200**	1,791,750
Total cash and bank balances	**19,742,957**	23,399,742

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 2021, the amount of restricted cash and pledged deposits were approximately RMB4,254,847,000 (31 December 2020: approximately RMB4,305,393,000) and approximately RMB182,068,000 (31 December 2020: approximately RMB679,283,000), respectively.

Borrowings

The maturity profile of the borrowings of the Group as at 30 June 2021 is as follows:

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Bank and other borrowings:		
Within one year or on demand	**8,707,076**	9,390,257
In the second year	**7,916,254**	4,734,566
In the third to fifth years, inclusive	**11,853,727**	10,177,554
Beyond fifth years	**1,093,200**	1,373,235
	29,570,257	25,675,612
Senior notes and domestic bonds:		
Within one year or on demand	**3,755,308**	4,449,796
In the second year	**6,665,951**	6,709,909
In the third to fifth years, inclusive	**10,562,465**	9,727,559
	20,983,724	20,887,264
Total borrowings	**50,553,981**	46,562,876

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

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Bank and other borrowings:		
Renminbi	**24,132,129**	20,896,946
Hong Kong dollars	**1,446,707**	3,214,046
US dollars	**3,991,421**	1,564,620
	29,570,257	25,675,612
Senior notes and domestic bonds:		
Renminbi	**4,000,000**	4,000,000
US dollars	**16,983,724**	16,887,264
	20,983,724	20,887,264
Total borrowings	**50,553,981**	46,562,876

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 2021, the net gearing ratio was 77.9% (31 December 2020: 59.2%).

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 2021, except for certain bank deposits, financial assets at fair value through profit or loss, bank and other borrowings and 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 2021. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, 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 2021 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 HK12 cents per ordinary share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK11 cents). The interim dividend will be payable on or about 22 October 2021 to shareholders whose names appear on the register of members of the Company on 24 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 24 September 2021, 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 2021, 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, 23 September 2021.

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 2021 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, 27 August 2021

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.