中駿集団

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 2022

FINANCIAL HIGHLIGHTS

- Contracted sales amount decreased by 44.8% to approximately RMB32,580,994,000.
- Revenue decreased by 24.5% to approximately RMB15,385,385,000.
- Gross profit margin was 22.2%.
- Profit for the period decreased by 43.1% to approximately RMB1,543,163,000.
- Profit attributable to owners of the parent decreased by 46.4% to approximately RMB1,274,185,000.
- Cash and bank balances was approximately RMB18,137,704,000 as at 30 June 2022.

The board (the "**Board**") of directors (the "**Directors**") of China SCE Group Holdings Limited (the "**Company**" or "**China SCE**") 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 2022, together with the comparative figures for the corresponding period in 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
	Notes	**2022**	2021
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	*4*	**15,385,385**	20,386,569
Cost of sales		**(11,967,227)**	(15,276,786)
Gross profit		**3,418,158**	5,109,783
Other income and gains	*4*	**212,914**	350,903
Changes in fair value of investment properties, net		**304,349**	256,724
Selling and marketing expenses		**(531,629)**	(566,028)
Administrative expenses		**(553,489)**	(771,500)
Other expenses		**–**	(149,251)
Finance costs	*5*	**(409,751)**	(253,481)
Share of profits and losses of:			
Joint ventures		**(279,932)**	184,143
Associates		**30,958**	18,568
PROFIT BEFORE TAX	*6*	**2,191,578**	4,179,861
Income tax expense	*7*	**(648,415)**	(1,468,917)
PROFIT FOR THE PERIOD		**1,543,163**	2,710,944

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME/ (LOSS):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of joint ventures	**11,303**	(4,939)
Share of other comprehensive income of associates	**–**	26
Exchange differences on translation of foreign operations	**(932,873)**	160,647
Exchange fluctuation reserve released upon disposal of subsidiaries	**(29,581)**	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(951,151)**	155,734
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(951,151)**	155,734
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**592,012**	2,866,678

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 June 2022

		Six months ended 30 June	
	Note	**2022**	2021
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
Profit attributable to:			
Owners of the parent		**1,274,185**	2,377,072
Non-controlling interests		**268,978**	333,872
		1,543,163	2,710,944
Total comprehensive income attributable to:			
Owners of the parent		**362,491**	2,507,612
Non-controlling interests		**229,521**	359,066
		592,012	2,866,678
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**RMB30.2 cents**	RMB56.3 cents
Diluted		**RMB30.2 cents**	RMB55.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Note	**30 June 2022 (Unaudited) *RMB'000***	31 December 2021 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**826,761**	839,847
Investment properties		**36,582,631**	34,050,031
Intangible asset		**2,736**	2,819
Properties under development		**9,626,270**	9,437,268
Contract in progress		**363,648**	349,184
Investments in joint ventures		**11,274,728**	8,864,225
Investments in associates		**1,306,315**	1,155,530
Prepayments and other assets		**800,534**	906,061
Deferred tax assets		**1,038,668**	1,068,631
Total non-current assets		**61,822,291**	56,673,596
CURRENT ASSETS			
Properties under development		**86,146,380**	90,011,728
Completed properties held for sale		**7,678,648**	8,135,339
Trade receivables	*10*	**307,944**	537,961
Prepayments, other receivables and other assets		**11,037,129**	10,934,736
Financial assets at fair value through profit or loss		**1,144,657**	1,294,023
Due from related parties		**4,587,277**	5,041,561
Prepaid income tax		**2,870,625**	2,378,173
Restricted cash		**3,589,224**	4,273,708
Pledged deposits		**1,992**	54,574
Cash and cash equivalents		**14,546,488**	15,677,587
Total current assets		**131,910,364**	138,339,390

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
30 June 2022

	Note	**30 June 2022 (Unaudited)** *RMB'000*	31 December 2021 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*11*	**13,573,350**	14,782,300
Other payables and accruals		**11,348,722**	11,233,481
Contract liabilities		**67,849,308**	64,441,542
Interest-bearing bank and other borrowings		**7,367,126**	8,689,342
Senior notes and domestic bonds		**6,254,727**	6,618,778
Due to related parties		**2,390,371**	2,612,018
Tax payable		**4,018,515**	4,482,246
Total current liabilities		**112,802,119**	112,859,707
NET CURRENT ASSETS		**19,108,245**	25,479,683
TOTAL ASSETS LESS CURRENT LIABILITIES		**80,930,536**	82,153,279
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**23,690,974**	20,833,380
Senior notes and domestic bonds		**12,728,943**	14,056,834
Lease liabilities		**229,238**	281,029
Deferred tax liabilities		**4,245,269**	4,205,661
Provision for major overhauls		**73,989**	69,264
Total non-current liabilities		**40,968,413**	39,446,168
Net assets		**39,962,123**	42,707,111
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**365,064**	365,064
Reserves		**21,434,653**	21,421,296
		21,799,717	21,786,360
Non-controlling interests		**18,162,406**	20,920,751
Total equity		**39,962,123**	42,707,111

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 2021.

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 2021, 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 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The Group has adopted the amendment on 1 January 2022. Since there were no COVID-19-related rent concessions received during the period, the amendment did not have any impact on the financial position and performance of the Group.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of properties	**14,203,127**	19,708,037
Property management fees	**506,672**	425,203
Land development income	**307,847**	–
Project management income	**100,718**	46,290
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	**11,715**	4,719
Other lease payments, including fixed payments	**255,306**	202,320
	15,385,385	20,386,569

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**42,031**	59,439
Consultancy service income	**21,854**	49,244
Gain on disposal of items of property and equipment, net	**654**	21,030
Fair value gain on financial assets at fair value through profit or loss, net	**–**	125,329
Gain on disposal of investment properties	**–**	5,225
Gain on disposal of subsidiaries	**67,411**	–
Government grants	**35,388**	20,911
Others	**45,576**	69,725
	212,914	350,903

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank and other borrowings, senior notes and domestic bonds	**1,795,403**	1,667,619
Interest on lease liabilities	**10,874**	12,442
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**1,756**	1,552
Total interest expense on financial liabilities not at fair value through profit or loss	**1,808,033**	1,681,613
Less: Interest capitalised	**(1,398,282)**	(1,428,132)
	409,751	253,481

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of properties sold	**11,086,268**	14,840,595
Cost of services provided	**717,719**	352,173
Depreciation of property and equipment	**32,010**	34,145
Depreciation of right-of-use assets	**47,785**	37,087
Amortisation of an intangible asset	**83**	83
Lease payments not included in the measurement of lease liabilities	**8,390**	5,935
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	**465,741**	627,576
Pension scheme contributions	**109,320**	107,963
Less: Amount capitalised	**(259,886)**	(281,360)
	315,175	454,179
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**33,109**	(125,329)
Foreign exchange differences, net	**15,963**	33,740
Write down to net realisable value of completed properties held for sale	**163,157**	83,935
Loss/(gain) on disposal of investment properties	**37,379**	(5,225)
Loss/(gain) on disposal of subsidiaries, net	**(67,411)**	149,251

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 2021: 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current charge for the period:		
PRC corporate income tax	**714,150**	1,263,362
PRC land appreciation tax	**24,377**	315,780
Under/(over)-provision in prior years, net:		
Mainland China	**(65,523)**	7,510
	673,004	1,586,652
Deferred tax credited for the period	**(24,589)**	(117,735)
Total tax charge for the period	**648,415**	1,468,917

8. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interim — Nil (six months ended 30 June 2021: HK12 cents per ordinary share)	**–**	421,436

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 2021: 4,222,133,380) 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	**1,274,185**	2,377,072

	Number of shares	
	Six months ended 30 June	
	2022	2021
	(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**	4,222,133,380
Effect of dilution — weighted average number of ordinary shares: Share options	**–**	47,291,432
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**4,222,133,380**	4,269,424,812

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 the sales of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period of three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade 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 2022 (Unaudited) ***RMB'000***	31 December 2021 (Audited) *RMB'000*
Current to 90 days	**243,405**	484,234
91 to 180 days	**50,626**	38,079
181 to 365 days	**7,218**	6,247
Over 365 days	**6,695**	9,401
	307,944	537,961

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 2022 (Unaudited) ***RMB'000***	31 December 2021 (Audited) *RMB'000*
Within 1 year	**13,231,307**	14,440,800
Over 1 year	**342,043**	341,500
	13,573,350	14,782,300

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 2022, the domestic and international macro environment has become increasingly challenging and complex, and the downward pressure on the PRC's economy has increased. Also, with the frequent debt defaults of real estate companies in the PRC, property purchasers are gradually less willing to purchase properties, most of them have adopted a wait-and-see attitude; hence, the sales volume of commodity housing in the first half of 2022 had a significant year-on-year decrease, the real estate in the PRC has experienced unprecedented challenges, and the whole real estate industry is in dire straits.

In order to promote the stable development of the real estate market, the central government and various local governments adhere to the premise of "No Speculation of Residential Properties" and continue to release positive signals and relax property regulatory policies, but the results were not as ideal. Data from the National Bureau of Statistics shows that in the first half of 2022, the sales amount of national commodity house was approximately RMB6,607.2 billion, representing a decrease of 28.9% as compared with the same period last year, including a 31.8% decline in residential housing sales. The sales area of national commodity house was approximately 689 million sq.m., a decline of 22.2% as compared to the same period last year, including a 26.6% decrease in residential housing sales area.

BUSINESS REVIEW

Contracted Sales

As we entered 2022, in addition to the resurgence of COVID-19 pandemic, the confidence of domestic property purchasers decreased rapidly, the transaction volume of commodity house in key cities declined accordingly, reaching the new low for the transaction volume of commodity house in recent years. For the six months ended 30 June 2022, the Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB32.581 billion and the contracted sales area of approximately 2.59 million sq.m., representing a year-on-year decrease of 44.8% and 30.2%, respectively. The average selling price of properties during the period was RMB12,600 per sq.m. The Group insisted on stable operation and its strategic development in first- and second-tier cities has achieved phased results. However, in the face of the multiple operating pressures brought by the macro economy, industry development and the pandemic situation, the operating fund pressure continues. Therefore, cash collection has become the top priority of the Group. With regards to its sales strategy, regional sales management personnel was at the forefront of sales activities, rapidly formulate targeted sales strategy to overcome sales difficulties, with cash collection as their top priority.

In the first half of 2022, the Group together with its joint ventures and associates had an aggregate of over 120 projects for sale in over 40 cities, mainly in second-tier cities and core areas of high potential third- and fourth-tier cities. A number of large-scale properties located in first- and second-tier cities achieved remarkable contracted sales results, including Woven City in Hangzhou, The Cloudland in Beijing, Imperial Manor in Shanghai and Parkview Mount in Hefei.

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 Amount**	**Contracted Sales Area**	**Percentage of Contracted Sales Amount**
	(RMB Million)	*(sq.m.)*	*(%)*
Hangzhou	4,253	155,742	13.1
Beijing	3,170	141,011	9.7
Quanzhou	3,048	234,956	9.4
Kunming	2,927	318,447	9.0
Shangrao	1,814	252,251	5.6
Shantou	1,715	144,881	5.3
Shanghai	1,574	28,619	4.8
Fuzhou	1,481	47,438	4.5
Hefei	1,423	56,746	4.4
Nanjing	1,239	63,737	3.8
Chizhou	1,021	141,196	3.1
Suzhou	1,007	45,777	3.1
Other	7,909	955,039	24.2
Total	**32,581**	**2,585,840**	**100.0**

By Region

Region	**Contracted Sales Amount** *(RMB Million)*	**Contracted Sales Area** *(sq.m.)*	**Percentage of Contracted Sales Amount** *(%)*
Yangtze River Delta Economic Zone	11,854	628,127	36.4
West Taiwan Strait Economic Zone	7,663	622,330	23.5
Bohai Rim Economic Zone	5,401	418,053	16.6
Central Western Region	4,599	603,028	14.1
Guangdong — Hong Kong — Macao Greater Bay Area	3,064	314,302	9.4
Total	**32,581**	**2,585,840**	**100.0**

By City Tier

City Tier	**Contracted Sales Amount** *(RMB Million)*	**Contracted Sales Area** *(sq.m.)*	**Percentage of Contracted Sales Amount** *(%)*
First-tier cities	4,746	169,756	14.6
Second-tier cities	16,335	1,094,054	50.1
Third- and fourth-tier cities	11,500	1,322,030	35.3
Total	**32,581**	**2,585,840**	**100.0**

From the perspective of city distribution, contracted sales in Beijing, Shanghai, Hangzhou and Kunming have been the most remarkable among the first- and second-tier cities, amounting to approximately RMB3.170 billion, RMB1.574 billion, RMB4.253 billion and RMB2.927 billion, respectively. With respect to the regional level, due to the long-established market in Yangtze River Delta Economic Zone and the launch of a number of new projects during the period, Yangtze River Delta Economic Zone ranked first in terms of contracted sales among all regions, with the contracted sales amounting to approximately RMB11.854 billion, accounting for approximately 36.4% of the total contracted sales amount.

Land Bank

In the first half of 2022, most of the private real estate enterprises were under increased capital pressure due to sluggish contracted sales of commodity house and difficulties in financing in the capital market. Moreover, due to the significant decrease in transaction volume of commodity house, the inventories in key cities were high, and the destocking cycle was prolonged. Therefore, real estate enterprises were less willing to carry out land acquisition. There are less private real estate enterprises participating in land auctions, while state-owned, central enterprises and city construction investment companies continue to be the main force in land auction transactions.

In order to maintain sufficient liquidity, the Group suspended land acquisition in the first half of 2022. As at 30 June 2022, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 36.65 million sq.m. (the aggregate planned GFA attributable to the Group was 26.86 million sq.m.), distributing in 63 cities. The existing land bank is expected to be available for the Group's development in the next two to three years. 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 35.8%, 21.4%, 22.6%, 7.3% and 12.9% respectively. Considering the tiers of cities, the land bank costs (excluding investment properties) of the Group together with its joint ventures and associates located in first-tier cities, second-tier cities as well as third- and fourth-tier cities accounted for 12.0%, 57.7% and 30.3% respectively.

Debt Management

Since the fourth quarter of 2021, there have been frequent debt defaults in the PRC real estate enterprises, resulting in a near-complete halt in offshore and onshore credit bond issuance. Leveraging its experience in bond issuance, the Company grasped the bond issuance opportunities, and in January 2022, the Company successfully issued offshore an additional US$150,000,000 senior notes due in September 2024 with a coupon rate of 5.95%. This demonstrates the confidence of bond investors in China SCE at a time when the financing market was in turmoil.

In the past year, although the PRC real estate enterprises faced a tight liquidity situation, China SCE still adheres to the principle of prudent financial management, continues to optimise its debt structure, and fulfils its obligations of debt repayment on time. At the end of February 2022, the Company has remitted funds to the trustee of offshore senior notes in advance to repay the senior notes due on 10 March 2022 with the amount of US$500,000,000. Moreover, the response to the renewal of RMB1.46 billion 2+2 year domestic corporate bonds issued by the Group has exceeded its expectations, the principal amount of bond remained unsold by the holders of the bond is RMB506,019,000, the unsold corporate bonds will mature in 2024. The principal amount of RMB953,981,000 of the corporate bond put back by the bondholders has been fully repaid on the maturity date.

As at 30 June 2022, the net gearing ratio of the Group was 79.8%, the coverage ratio of unrestricted cash to short-term debt was 1.07 times, the liability to asset ratio (excluding contract liabilities) was 68.3%. These three financial indicators above were at a relatively health level in the industry. In the first half of 2022, the average financing costs was 7.0%, a slight increase compared to the same period last year.

Investment Properties

As at 30 June 2022, the Group together with its joint ventures and associates held 55 investment properties with a total gross floor area of 4.01 million sq.m. (attributable gross floor area of approximately 3.44 million sq.m.), of which 31 investment properties had commenced operation. The Group together with its joint ventures and associates have investment properties in 25 cities, including Beijing, Shanghai, Xiamen, Hangzhou and Suzhou, among others, with its business covering shopping malls, long-term rental apartments, offices, commercial streets and shops, among them, nine Funworld shopping malls and 15 Funlive long-term rental apartments were opened.

Property Management

As at 30 June 2022, the Group had 140 and 16 residential properties and commercial properties, respectively, under management, with a gross floor area under management of approximately 22.4 million sq.m. and 1.6 million sq.m., respectively. Residential property management includes basic residential property management services, value-added services to non-property owners and community value-added services. Commercial property management includes basic commercial property management services, pre-opening management services and other value-added services.

OUTLOOK

As the COVID-19 pandemic gradually comes under control and the government continues to implement policies to boost the economy, the domestic economy is expected to bottom out in the second half of the year. Although local governments have relaxed property regulatory policies several times in the first half of 2022, the stimulating effect on the real estate market is not significant. The Group expects that, in order to maintain the stable development of real estate industry, the central and local governments will continue to optimise the regulatory policy in the second half of the year, including lowering the down-payment rate, mortgage ratio, and relaxing the qualification for purchasing properties. With the improvement in people's employment and income, the Group expects that the confidence of property purchasers will gradually recover in the second half of 2022, the transaction volume of commodity house is expected to bottom out.

In the future, "One Body Two Wings" will still be the core of China SCE's strategies. However, in the face of industry-wide challenges that may last for several years, the Group needs to think more deeply and iterate on the respective business strategies of "One Body" and "Two Wings". The "One Body" residential development segment needs to be deployed around first-tier and core second-tier cities to lay a solid foundation for operations and ensure sufficient liquidity; "Two Wings" shopping malls focuses on pursuing "Scaling up with Quality" and regions, providing tenants and consumers with professional and high quality commercial management and operating services through the brand "SCE Funworld"; Funlive needs to adhere to the business strategy of "Dual Focus", focusing on the core cities and high-end apartments, enhancing the market share and brand awareness to become the preferred brand for high-end long-term rental apartments for tenants.

Facing the ever-changing external business environment and the stressful industry situation, China SCE continues to deeply reflect and optimise on the past operating difficulties and respond proactively to them. Marketing requires the strategy of "One Policy for One Project", taking into account the various operational elements of each project and providing solutions based on its target customer base and core advantages, while maximising the traffic advantages of the core projects to speed up the sales and destocking. At the operation level, with delivery as our core, we need to enhance the delicacy management in supply and demand, and fully communicate with all parties for a win-win solution; in terms of cost, we need to enhance the payment structure and deepen the strategic supplier system. In terms of human resources management, we need to maintain and enhance organisation stability and resilience, continuously optimise the organisation structure, encourage the management to go downstream, and further fulfill the requirements of business adjustment. In terms of finance and financing, deleverage, controlling debts, adjusting financing structure and enhancing liquidity will be the main work direction for a period of time in the future. In the future, the financial side needs to make contribution to operating ability, in order to enhance the operating efficiency and to ensure the financial stability.

After this wave of real estate market volatility and adjustments, we need to adjust our mindset and remain cautiously optimistic that "Surviving" is the only option at this stage. Currently, as long as we seize the national strategic adjustment opportunities and update the iterative strategy, we shall overcome the cycle and be the first batch to get out of this industry crisis.

FINANCIAL REVIEW

Revenue

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

The revenue decreased by 24.5% from approximately RMB20,386,569,000 in the first half of 2021 to approximately RMB15,385,385,000 in the first half of 2022, which was attributable to the decrease in property sales income.

- *Sales of properties*

  Income from property sales decreased by 27.9% from approximately RMB19,708,037,000 in the first half of 2021 to approximately RMB14,203,127,000 in the first half of 2022. Decrease in income from property sales is primarily attributable to the decrease in the area of properties delivered as a result of delay in construction progress of projects during the COVID-19 lockdown in certain cities in Mainland China. Delivered property area decreased significantly by 30.4% from 2,169,103 sq.m. in the first half of 2021 to 1,509,724 sq.m. in the first half of 2022. The average unit selling price increased from RMB9,086 per sq.m. in the first half of 2021 to RMB9,408 per sq.m. in the first half of 2022.

- *Property management fees*

  Property management fees increased by 19.2% from approximately RMB425,203,000 in the first half of 2021 to approximately RMB506,672,000 in the first half of 2022, which was mainly attributable to the significant increase in the number and floor area of properties under the management.

- *Rental income*

  Rental income increased by 29.0% from approximately RMB207,039,000 in the first half of 2021 to approximately RMB267,021,000 in the first half of 2022, which was mainly attributable to the contribution of rental income from the newly opened shopping malls of SCE Funworld in Nan'an and Xianyou.

- *Land development income*

  During the first half of 2022, the Group recognised land development income of approximately RMB307,847,000, which was the income from pre-construction and preparation work provided for certain land parcels in Nan'an, Quanzhou.

- *Project management income*

  The project management income increased significantly by 117.6% from approximately RMB46,290,000 in the first half of 2021 to approximately RMB100,718,000 in the first half of 2022, which was attributable to the increase in income from the project management service and other property related services provided to joint ventures and associates.

Gross Profit

Gross profit decreased significantly by 33.1% from approximately RMB5,109,783,000 in the first half of 2021 to approximately RMB3,418,158,000 in the first half of 2022. Gross profit margin decreased from 25.1% in the first half of 2021 to 22.2% in the first half of 2022. The decrease in gross profit margin was attributable to the decrease in unit selling prices of properties as a result of the downturn in property market.

Changes in Fair Value of Investment Properties, Net

The fair value gains of investment properties increased by 18.6% from approximately RMB256,724,000 in the first half of 2021 to approximately RMB304,349,000 in the first half of 2022. The fair value gains of investment properties during the period were mainly attributable to the appreciation of certain office buildings and shopping malls.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 6.1% from approximately RMB566,028,000 in the first half of 2021 to approximately RMB531,629,000 in the first half of 2022. The decrease in selling and marketing expenses was mainly attributable to the decrease in the number of projects for sale during the period.

Administrative Expenses

Administrative expenses decreased by 28.3% from approximately RMB771,500,000 in the first half of 2021 to approximately RMB553,489,000 in the first half of 2022. The decrease in administrative expenses was mainly attributable to the implementation of stringent cost control and streamlining manpower structure.

Finance Costs

Finance costs increased significantly by 61.6% from approximately RMB253,481,000 in the first half of 2021 to approximately RMB409,751,000 in the first half of 2022. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain funds that were not used for project developments. Due to the increase in funding cost as a result of the downturn in property market, the total interest expense increased by 7.5% from approximately RMB1,681,613,000 in the first half of 2021 to approximately RMB1,808,033,000 in the first half of 2022.

Share of Profits and Losses of Joint Ventures and Associates

Share of profits and losses of joint ventures and associates changed from profits of approximately RMB202,711,000 in the first half of 2021 to losses of approximately RMB248,974,000 in the first half of 2022. The losses were mainly attributable to the operating losses and fair value losses of investment properties of certain joint ventures during the period.

Income Tax Expense

Income tax expense decreased significantly by 55.9% from approximately RMB1,468,917,000 in the first half of 2021 to approximately RMB648,415,000 in the first half of 2022. 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 decrease was mainly attributable to the decrease in provision of land appreciation tax and corporate income tax as a result of the decrease of the sales of properties and decrease in gross profit margin.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent decreased significantly by 46.4% from approximately RMB2,377,072,000 in the first half of 2021 to approximately RMB1,274,185,000 in the first half of 2022. Basic earnings per share amounted to approximately RMB30.2 cents in the first half of 2022. Core profit attributable to owners of the parent[1] decreased significantly by 45.3% from approximately RMB2,210,366,000 in the first half of 2021 to approximately RMB1,208,523,000 in the first half of 2022.

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 or loss of financial assets at fair value through profit or loss and net gain or loss on disposal of subsidiaries.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2022, the Group's cash and bank balances were denominated in different currencies as set out below:

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Renminbi	**17,621,234**	19,221,382
Hong Kong dollars	**391,315**	711,128
US dollars	**125,155**	73,359
Total cash and bank balances	**18,137,704**	20,005,869

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 2022, the amount of restricted cash and pledged deposits were approximately RMB3,589,224,000 (31 December 2021: approximately RMB4,273,708,000) and approximately RMB1,992,000 (31 December 2021: approximately RMB54,574,000), respectively.

Borrowings

The maturity profile of the borrowings of the Group as at 30 June 2022 is as follows:

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Bank and other borrowings:		
Within one year or on demand	**7,367,126**	8,689,342
In the second year	**9,307,096**	8,247,016
In the third to fifth years, inclusive	**12,820,709**	10,520,506
Beyond fifth years	**1,563,169**	2,065,858
	31,058,100	29,522,722
Senior notes and domestic bonds:		
Within one year or on demand	**6,254,727**	6,618,778
In the second year	**3,844,229**	3,688,639
In the third to fifth years, inclusive	**8,884,714**	10,368,195
	18,983,670	20,675,612
Total borrowings	**50,041,770**	50,198,334

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

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Bank and other borrowings:		
Renminbi	**25,617,092**	23,987,110
Hong Kong dollars	**1,176,451**	1,360,565
US dollars	**4,264,557**	4,175,047
	31,058,100	29,522,722
Senior notes and domestic bonds:		
Renminbi	**4,000,000**	4,000,000
US dollars	**14,983,670**	16,675,612
	18,983,670	20,675,612
Total borrowings	**50,041,770**	50,198,334

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 2022, the net gearing ratio was 79.8% (31 December 2021: 70.7%).

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 2022, 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 2022. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, 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 Part 2 of Appendix 14 to the Listing Rules.

Under provision C.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 Group'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 2022 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

Between 4 January 2022 and 28 February 2022, the Company had made partial repurchases in a total principal amount of US$154,000,000 of the senior notes due on 10 March 2022 with an aggregate principal amount of US$500,000,000 and a coupon rate of 5.875% (the "**Repurchased Notes**"), representing 30.8% of the aggregate principal amount of the senior notes due on 10 March 2022 originally issued. The Repurchased Notes have been cancelled in accordance with the terms and conditions of the senior notes due on 10 March 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during six months ended 30 June 2022.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: HK12 cents per ordinary share).

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 2022 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, 30 August 2022

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.