中駿集团

CHINA SCE GROUP HOLDINGS LIMITED

中駿集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1966)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Contracted sales amount decreased by 38.4% to approximately RMB20,084,204,000.
- Revenue decreased by 38.4% to approximately RMB9,481,871,000.
- Gross profit margin was 15.2%.
- Loss attributable to owners of the parent was approximately RMB1,124,981,000.
- Core loss attributable to owners of the parent[1] was approximately RMB122,991,000.
- Net gearing ratio was approximately 80.2% as at 30 June 2023.
- As at 30 June 2023, the total debts decreased by 14.1% to approximately RMB37,934,889,000 when compared with 31 December 2022.
- Cash and bank balances amounted to approximately RMB12,444,654,000 as at 30 June 2023.

[1] It represents profit/(loss) 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 loss of financial assets at fair value through profit or loss and net gain or loss on disposal of subsidiaries and joint ventures.

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 2023, together with the comparative figures for the corresponding period in 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**9,481,871**	15,385,385
Cost of sales		**(8,035,975)**	(11,967,227)
Gross profit		**1,445,896**	3,418,158
Other income and gains	*4*	**391,443**	212,914
Changes in fair value of investment properties, net		**(1,195,744)**	304,349
Selling and marketing expenses		**(591,170)**	(531,629)
Administrative expenses		**(705,255)**	(553,489)
Finance costs	*5*	**(453,892)**	(409,751)
Share of profits and losses of:			
Joint ventures		**19,019**	(279,932)
Associates		**38,574**	30,958
PROFIT/(LOSS) BEFORE TAX	*6*	**(1,051,129)**	2,191,578
Income tax credit/(expense)	*7*	**28,964**	(648,415)
PROFIT/(LOSS) FOR THE PERIOD		**(1,022,165)**	1,543,163

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(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	**(5,933)**	11,303
Exchange differences on translation of foreign operations	**(1,024,898)**	(932,873)
Exchange fluctuation reserve released upon disposal of subsidiaries	**–**	(29,581)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(1,030,831)**	(951,151)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(1,030,831)**	(951,151)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(2,052,996)**	592,012

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Profit/(loss) attributable to:			
Owners of the parent		**(1,124,981)**	1,274,185
Non-controlling interests		**102,816**	268,978
		(1,022,165)	1,543,163
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(2,091,549)**	362,491
Non-controlling interests		**38,553**	229,521
		(2,052,996)	592,012
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**RMB(26.6) cents**	RMB30.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Note	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**741,736**	775,742
Investment properties		**38,768,186**	39,216,242
Intangible asset		**2,569**	2,653
Properties under development		**9,667,983**	10,169,792
Contract in progress		**129,132**	129,132
Investments in joint ventures		**6,916,724**	7,247,429
Investments in associates		**1,287,461**	1,251,635
Prepayments and other assets		**736,332**	814,465
Deferred tax assets		**1,272,926**	1,173,522
Total non-current assets		**59,523,049**	60,780,612
CURRENT ASSETS			
Properties under development		**92,531,602**	92,717,968
Completed properties held for sale		**3,722,036**	4,797,777
Trade receivables	*10*	**372,513**	466,350
Prepayments, other receivables and other assets		**15,020,585**	13,315,135
Financial assets at fair value through profit or loss		**429,393**	431,973
Due from related parties		**3,101,777**	3,914,425
Prepaid income tax		**3,207,734**	2,523,770
Restricted cash		**3,714,291**	3,866,093
Pledged deposits		**–**	2,031,012
Cash and cash equivalents		**8,730,363**	9,118,953
Total current assets		**130,830,294**	133,183,456

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
30 June 2023

	Note	**30 June 2023 (Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*11*	**13,820,300**	10,821,534
Other payables and accruals		**10,157,129**	9,186,882
Contract liabilities		**85,850,790**	82,443,359
Interest-bearing bank and other borrowings		**8,372,559**	10,742,959
Senior notes and domestic bonds		**4,123,607**	3,959,846
Due to related parties		**3,266,517**	2,583,308
Tax payable		**3,599,339**	3,913,001
Total current liabilities		**129,190,241**	123,650,889
NET CURRENT ASSETS		**1,640,053**	9,532,567
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,163,102**	70,313,179
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**13,693,931**	16,252,153
Senior notes and domestic bonds		**11,744,792**	13,202,190
Lease liabilities		**14,599**	17,729
Deferred tax liabilities		**3,835,760**	4,137,252
Provision for major overhauls		**83,847**	78,614
Total non-current liabilities		**29,372,929**	33,687,938
Net assets		**31,790,173**	36,625,241
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**365,138**	365,138
Reserves		**17,051,835**	19,345,551
		17,416,973	19,710,689
Non-controlling interests		**14,373,200**	16,914,552
Total equity		**31,790,173**	36,625,241

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 2022.

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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs 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 new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates* clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments apply to transactions related to leases at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any. The adoption of the amendments has had no significant impact on the financial information of the Group.

Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 purpose, the land development segment and project management segment are combined with the property development and investment segment as their reported revenue, results and assets are less than 10% of the consolidated revenue, consolidated loss and consolidated assets of the Group. Despite that the reported results of the property management segment accounted for over 10% of the combined losses of the Group's loss making segments, its segment result is not presented separately as the situation is considered to be temporary by the management.

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of properties	**8,609,731**	14,203,127
Property management fees	**552,071**	506,672
Land development income	**–**	307,847
Project management income	**56,552**	100,718
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	**11,789**	11,715
Other lease payments, including fixed payments	**251,728**	255,306
	9,481,871	15,385,385

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**64,239**	42,031
Consultancy service income	**4,424**	21,854
Gain on disposal of items of property and equipment, net	**895**	654
Foreign exchange difference, net	**133,935**	–
Gain on disposal of subsidiaries	**–**	67,411
Government grants	**18,672**	35,388
Others	**169,278**	45,576
	391,443	212,914

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank and other borrowings, senior notes and domestic bonds	**1,506,745**	1,795,403
Interest on lease liabilities	**825**	10,874
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**1,975**	1,756
Total interest expense on financial liabilities not at fair value through profit or loss	**1,509,545**	1,808,033
Less: Interest capitalised	**(1,055,653)**	(1,398,282)
	453,892	409,751

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of properties sold	**7,402,033**	11,086,268
Cost of services provided	**438,366**	717,719
Depreciation of property and equipment	**34,962**	32,010
Depreciation of right-of-use assets	**9,490**	47,785
Amortisation of an intangible asset	**83**	83
Lease payments not included in the measurement of lease liabilities	**436**	8,390
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	**390,858**	465,741
Pension scheme contributions	**63,408**	109,320
Less: Amount capitalised	**(121,359)**	(259,886)
	332,907	315,175
Fair valve loss on financial assets at fair value through profit or loss, net	**14,582**	33,109
Foreign exchange differences, net	**(133,935)**	15,963
Write down to net realisable value of completed properties held for sale	**195,493**	163,157
Loss on disposal of investment properties	**47,099**	37,379
Loss on disposal of joint ventures	**138,909**	–

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 2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current charge/(credit) for the period:		
PRC corporate income tax	**267,190**	714,150
PRC land appreciation tax	**164,611**	24,377
Over-provision in prior years, net:		
Mainland China	**(59,869)**	(65,523)
	371,932	673,004
Deferred tax credited for the period	**(400,896)**	(24,589)
Total tax charge/(credit) for the period	**(28,964)**	648,415

8. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 4,222,986,126 (six months ended 30 June 2022: 4,222,133,380) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the six months ended 30 June 2023 and for the six months ended 30 June 2022 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share amount presented.

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 2023 (Unaudited)	31 December 2022 (Audited)
	RMB'000	*RMB'000*
Current to 90 days	**264,324**	441,486
91 to 180 days	**41,002**	15,320
181 to 365 days	**50,761**	2,933
Over 365 days	**16,426**	6,611
	372,513	466,350

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 2023 (Unaudited)	31 December 2022 (Audited)
	RMB'000	*RMB'000*
Within 1 year	**13,440,317**	10,409,743
Over 1 year	**379,983**	411,791
	13,820,300	10,821,534

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

After the Spring Festival, as local governments further loosened real estate control policies, the real estate market warmed up. While the pent-up demand for housing released in February and March 2023, the confidence of buyers has declined sharply since April and the entire real estate industry entered a period of deep adjustment. The central government has issued documents to stabilise the property market, and local governments have frequently loosened control policies, but the stimulus effect was not as good as expected, and the volume of commodity housing transactions remained at a low level.

Data from the National Bureau of Statistics shows that in the first half of 2023, the sales amount of national commodity house was approximately RMB6,309.2 billion, representing an increase of 1.1% as compared with the same period last year, including a 3.7% increase in residential housing sales. The sales area of national commodity house was approximately 595 million sq.m., representing a decline of 5.3% as compared with the same period last year, including a 2.8% decrease in residential housing sales area.

BUSINESS REVIEW

Contracted Sales

For the six months ended 30 June 2023, the Group together with its joint ventures and associates achieved a contracted sales amount of approximately RMB20.084 billion, including the contracted sales amount of approximately RMB3.658 billion by the joint ventures and associates, and the contracted sales area of approximately 1.59 million sq.m., including the contracted sales area of approximately 0.34 million sq.m. by the joint ventures and associates, representing a year-on-year decrease of approximately 38.4% and 38.6%, respectively. The average selling price of properties during the period was RMB12,648 per sq.m.

The Group took advantage of the market recovery period after the Spring Festival and stepped up its efforts to launch new projects to increase sales. For projects in the first- and second-tier cities, the Group accelerated the pace of supply and maintained rapid sales; for projects in the third- and fourth-tier cities, the Group adopted the strategy of "One Policy for One Project" and formulated reasonable volume and pricing strategies with reference to the competition in the market segment to ensure a stable flow rate of the projects, and gradually and modestly raised prices by launching new buildings and promoting improved products to restore profitability. In order to achieve quicker cash collection and secure liquidity, the Group adopted flexible payment policies, increased customer down payment ratio, and sped up the loan cycle.

In the first half of 2023, the Group together with its joint ventures and associates had an aggregate of over 80 projects for sale in over 50 cities.

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** *(RMB Million)*	**Contracted Sales Area** *(sq.m.)*	**Percentage of Contracted Sales Amount** *(%)*
Hangzhou	5,839	217,574	29.1
Beijing	2,594	85,673	12.9
Tianjin	1,335	99,597	6.6
Hefei	1,001	39,436	5.0
Kunming	734	96,507	3.7
Nanjing	688	72,326	3.4
Suzhou	596	28,845	3.0
Fuzhou	594	25,877	3.0
Shangrao	572	87,030	2.8
Quanzhou	533	61,077	2.7
Chongqing	519	75,863	2.6
Shanghai	453	9,454	2.3
Shangqiu	370	65,307	1.8
Xuzhou	359	33,239	1.8
Foshan	221	16,888	1.1
Other	3,676	573,201	18.2
Total	**20,084**	**1,587,894**	**100.0**

By Region

Region	Contracted Sales Amount	Contracted Sales Area	Percentage of Contracted Sales Amount
	(RMB Million)	*(sq.m.)*	*(%)*
Yangtze River Delta Economic Zone	9,454	467,864	47.1
Bohai Rim Economic Zone	4,686	308,015	23.3
Central Western Region	2,552	407,899	12.7
West Taiwan Strait Economic Zone	2,214	235,044	11.0
Guangdong — Hong Kong — Macao Greater Bay Area	1,178	169,072	5.9
Total	**20,084**	**1,587,894**	**100.0**

By City Tier

City Tier	Contracted Sales Amount	Contracted Sales Area	Percentage of Contracted Sales Amount
	(RMB Million)	*(sq.m.)*	*(%)*
First-tier cities	3,047	95,127	15.2
Second-tier cities	12,008	717,531	59.8
Third- and fourth-tier cities	5,029	775,236	25.0
Total	**20,084**	**1,587,894**	**100.0**

From the perspective of city distribution, contracted sales in Hangzhou, Beijing, Tianjin and Hefei have been the most remarkable among the first- and second-tier cities, amounting to approximately RMB5.839 billion, RMB2.594 billion, RMB1.335 billion and RMB1.001 billion, respectively. With respect to the regional level, due to the popularity of Woven City in Hangzhou, Parkview Mount in Hefei, The Cloudland and Cloudview Terrace in Beijing, Yangtze River Delta Economic Zone and Bohai Rim Economic Zone ranked first and second in terms of contracted sales among all regions, with the contracted sales amounting to approximately RMB9.454 billion and RMB4.686 billion, respectively, accounting for approximately 47.1% and 23.3%, respectively, of the total contracted sales amount.

Land Bank

In the first half of 2023, the regular land supply scale was maintained in first-tier cities, and the residential land supply in cities with high inventory slowed down significantly. However, land transactions were still concentrated in first-tier cities and popular second-tier cities. Impacted by the slow recovery of property market sales and financing difficulties in the capital market, most private real estate companies have tight liquidity, so private real estate companies still had low land investment intentions, while state-owned and central enterprises continued to be the main force in land auction transactions.

As at 30 June 2023, the Group together with its joint ventures and associates had a land bank with an aggregate planned gross floor area ("**GFA**") of approximately 31.64 million sq.m. (the aggregate planned GFA attributable to the Group was 25.40 million sq.m.), distributing in 60 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 35.2%, 21.1%, 23.8%, 9.1% and 10.8% 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 11.0%, 54.7% and 34.3% respectively.

Debt Management

The Group has been pursuing prudent financial management and optimising its debt structure to provide a solid foundation for business development. In the past few years, the sales of commodity housing continued to be sluggish. Banks and investors still hold a wait-and-see attitude towards the financing of mainland real estate companies, which has greatly increased financing difficulties for private real estate companies. Despite this, the Group is still able to capture the domestic and overseas financing windows and repay debts in the open market on schedule, demonstrating corporate responsibility and determination to repay debts.

In January 2023, the Group successfully issued the first tranche of 2023 medium-term notes fully guaranteed by China Bond Insurance Co., Ltd. ("**CBIC**"), with an issuance size of RMB1.5 billion, a term of three years, and a coupon rate of 4.1%, being one of the first CBIC-backed private real estate enterprises in 2023 that received support from CBIC to successfully issue bonds. In August 2023, the Group successfully issued the second tranche of medium-term notes, with an issuance size of RMB700 million, a term of three years, and a coupon rate of 4.28%. The successful issuance of medium-term notes fully reflects the recognition of regulators and investors on the steady development of China SCE. In addition, the Company was granted an offshore syndicated loan with a principal amount of HK$255,420,000 and US$89,100,000 in July 2023 for repayment of the existing syndicated loan.

During the period, the Group further reduced its total debt from RMB44.157 billion as of 31 December 2022 to RMB37.935 billion as of 30 June 2023. This included the repurchase and repayment of US$500 million 7.25% senior notes due in April 2023 by the Group in March and April 2023 in the offshore market. In the domestic capital market, the Group has also repaid the RMB540 million 6.95% corporate bonds due in August 2023. After repaying the above debts in the open market, the debt structure of the Group has been further improved, but the financing environment for private real estate companies is still difficult, and there is still huge pressure on liquidity.

Investment Properties

As at 30 June 2023, the Group together with its joint ventures and associates held 53 investment properties with a total GFA of 4.00 million sq.m. (attributable GFA of approximately 3.65 million sq.m.), of which 27 investment properties had commenced operation. The Group together with its joint ventures and associates have investment properties in 26 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.

OUTLOOK

Looking forward to the second half of 2023, it is expected that the central and local governments will continue to optimise real estate control policies, especially in first-tier and popular second-tier cities, which have the greatest room for policy optimisation, so as to better meet the rigid and improved housing needs of residents. With the favorable implementation of supportive policies in various cities, buyers' confidence is expected to gradually recover. However, it will take time for the policy effects to materialise and confidence to be restored. The mainland real estate market is still facing tremendous pressure. The markets of first-tier cities and popular second-tier cities continue to diverge from those of other cities. While land parcels in first-tier cities and popular second-tier cities still attract bids, there may not be significant improvements in the macro environment in the short term, hence it is believed that third-and fourth-tier cities market will remain difficult to realise.

Facing the sluggish real estate market, the Group is earnestly carrying out various key operation tasks in the second half of the year. In terms of marketing, we still adhere to the strategy of "One Policy for One Project", and increase the efforts to speed up the cash collection from sales. According to the dynamics of the market segment where each project is located, the flow rate is tracked, a flexible sales policy is formulated, and the fast-moving project accelerates the pace of launch. In terms of funding, it is necessary to continue to communicate with financial institutions to break through financing difficulties, and strengthen regional measures to broaden financing channels. In terms of operations, we will fully communicate and coordinate with the marketing and financial lines, rationally plan and deploy supply plans, pay full attention to supplier selection and management, and strengthen quality management. For the "Two-Wings" business model, "Improving Efficiency, Reducing Fees, Increasing Revenue" is the eternal business theme. On the basis of focusing on customer needs, the Group targets to optimise efficiency and cost control, promote the steady growth of service revenue, and further optimise the return on investment.

After a long period of in-depth adjustments, the industry is on a long and tortuous road to recovery. The road ahead may still be full of challenges and obstacles, but the staff of China SCE will stay tenacious and persistent in the belief that opportunities for a turnaround will arise over the course of time allowing the Group overcome the most difficult moment. In the future, the Group will further focus on core cities and advantageous areas, and strive to operate steadily in the next round of competition, and go further.

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 significantly by 38.4% from approximately RMB15,385,385,000 in the first half of 2022 to approximately RMB9,481,871,000 in the first half of 2023, which was attributable to the decrease in property sales income.

- *Sales of properties*

  Income from property sales decreased significantly by 39.4% from approximately RMB14,203,127,000 in the first half of 2022 to approximately RMB8,609,731,000 in the first half of 2023. Decrease in income from property sales is primarily attributable to the decrease in the area of properties delivered. Delivered property area decreased significantly by 38.2% from 1,509,724 sq.m. in the first half of 2022 to 933,050 sq.m. in the first half of 2023. The average unit selling price decreased from RMB9,408 per sq.m. in the first half of 2022 to RMB9,228 per sq.m. in the first half of 2023.

- *Property management fees*

  Property management fees increased by 9.0% from approximately RMB506,672,000 in the first half of 2022 to approximately RMB552,071,000 in the first half of 2023, which was mainly attributable to the increase in the number and floor area of properties under management.

- *Rental income*

  Rental income decreased by 1.3% from approximately RMB267,021,000 in the first half of 2022 to approximately RMB263,517,000 in the first half of 2023.

- *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 decreased significantly by 43.9% from approximately RMB100,718,000 in the first half of 2022 to approximately RMB56,552,000 in the first half of 2023, 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 decreased significantly by 57.7% from approximately RMB3,418,158,000 in the first half of 2022 to approximately RMB1,445,896,000 in the first half of 2023. Gross profit margin decreased from 22.2% in the first half of 2022 to 15.2% in the first half of 2023. 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

Fair value of investment properties changed from fair value gains of approximately RMB304,349,000 in the first half of 2022 to fair value losses of approximately RMB1,195,744,000 in the first half of 2023. The change from fair value gains to fair value losses was mainly attributable to the value depreciation of certain offices in Shanghai and a shopping mall of SCE Funworld in Beijing.

Selling and Marketing Expenses

Selling and marketing expenses increased by 11.2% from approximately RMB531,629,000 in the first half of 2022 to approximately RMB591,170,000 in the first half of 2023. Such increase was primarily driven by the increase in sales promotion activities during the period.

Administrative Expenses

Administrative expenses increased by 27.4% from approximately RMB553,489,000 in the first half of 2022 to approximately RMB705,255,000 in the first half of 2023. The increase in administrative expenses was mainly attributable to inclusion of the loss on disposal of joint ventures of approximately RMB138,909,000 in the first half of 2023.

Finance Costs

Finance costs increased by 10.8% from approximately RMB409,751,000 in first half of 2022 to approximately RMB453,892,000 in first half of 2023. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain borrowings were not used for project developments. Due to the decrease in bank and other borrowings (including senior notes and domestic bonds), total interest expenses decreased by 16.5% from approximately RMB1,808,033,000 in first half of 2022 to approximately RMB1,509,545,000 in first half of 2023.

Income Tax Credit/(Expense)

Income tax changed from income tax expense of approximately RMB648,415,000 in the first half of 2022 to income tax credit of approximately RMB28,964,000 in the first half of 2023. Income tax credit during the period was mainly attributable to the combined effect of decrease in provision of income tax expense as a result of the decrease in revenue recognised and decrease in gross profit margin and deferred tax credit as a result of fair value losses of investment properties in the first half of 2023.

Profit/(Loss) Attributable to Owners of the Parent

Profit/(loss) attributable to owners of the parent changed from profit of approximately RMB1,274,185,000 in the first half of 2022 to loss of approximately RMB1,124,981,000 in the first half of 2023. Core profit/(loss) attributable to owners of the parent changed from profit of approximately RMB1,208,523,000 in the first half of 2022 to loss of approximately RMB122,991,000 in the first half of 2023.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2023, the Group's cash and bank balances were denominated in different currencies as set out below:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Renminbi	**12,400,649**	14,855,496
Hong Kong dollars	**19,354**	77,676
US dollars	**24,651**	82,886
Total cash and bank balances	**12,444,654**	15,016,058

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 2023, the amount of restricted cash was approximately RMB3,714,291,000 (31 December 2022: approximately RMB3,866,093,000). As at 31 December 2022, the amount of pledged deposits was approximately RMB2,031,012,000.

Borrowings

The maturity profile of the borrowings of the Group as at 30 June 2023 is as follows:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Bank and other borrowings:		
Within one year or on demand	**8,372,559**	10,742,959
In the second year	**10,387,911**	11,063,555
In the third to fifth years, inclusive	**1,826,868**	3,819,267
Beyond fifth years	**1,479,152**	1,369,331
	22,066,490	26,995,112
Senior notes and domestic bonds:		
Within one year or on demand	**4,123,607**	3,959,846
In the second year	**7,748,828**	7,418,104
In the third to fifth years, inclusive	**3,995,964**	5,784,086
	15,868,399	17,162,036
Total borrowings	**37,934,889**	44,157,148

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

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Bank and other borrowings:		
Renminbi	**16,767,432**	21,655,224
Hong Kong dollars	**1,427,796**	1,127,006
US dollars	**3,871,262**	4,212,882
	22,066,490	26,995,112
Senior notes and domestic bonds:		
Renminbi	**3,110,688**	1,610,688
US dollars	**12,757,711**	15,551,348
	15,868,399	17,162,036
Total borrowings	**37,934,889**	44,157,148

Gearing Ratio

The net gearing ratio was calculated by dividing the net debt (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 2023, the net gearing ratio was 80.2% (31 December 2022: 79.6%).

Exchange Rate Fluctuation Exposures

The Group's businesses are located in the PRC and substantially 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 2023, 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 2023. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

CORPORATE GOVERNANCE

During the six months ended 30 June 2023, 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 in of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the 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 the same individual serving as chairman and chief executive officer is beneficial to the consistency and efficiency in execution of business plans and decision-making of the Company.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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. Dai Yiyi and Dr. Mao Zhenhua 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.

The responsibilities of the Audit Committee include overseeing the Group's financial reporting system, risk management and internal control system; and reviewing the accounting principles and policies adopted by the Group. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE 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 the Directors. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have strictly complied with the Model Code during the period under review.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Between 9 March 2023 and 29 March 2023, the Company had made partial repurchases in a total principal amount of US$206,500,000 of the senior notes due on 19 April 2023 with an aggregate principal amount of US$500,000,000 and a coupon rate of 7.25% (the "**Repurchased Notes**"), representing 41.3% of the aggregate principal amount of the senior notes due on 19 April 2023 originally issued. The Repurchased Notes have been cancelled in accordance with the terms and conditions of the senior notes due on 19 April 2023.

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 2023.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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 2023 interim report of the Group containing the relevant information required by the Listing Rules will be despatched 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, 29 August 2023

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. Dai Yiyi and Dr. Mao Zhenhua.