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CHINA SCE GROUP HOLDINGS LIMITED

中駿集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1966)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

- Contracted sales amount increased by approximately 2.9% to approximately RMB104,531,235,000.
- Revenue increased by approximately 15.9% to approximately RMB37,737,447,000.
- Gross profit margin was approximately 21.7%.
- Profit for the year was approximately RMB3,668,811,000.
- Profit attributable to owners of the parent was approximately RMB3,070,022,000.
- Core profit attributable to owners of the parent¹ was approximately RMB3,106,339,000.
- Net gearing ratio was approximately 70.7% as at 31 December 2021.
- The Board proposed to declare a final dividend of HK6 cents per ordinary share.

¹ It represents profit attributable to owners of the parent excluding the post-tax net changes in fair value of investment properties of subsidiaries and joint ventures, premium paid on early redemption of senior notes, net fair value gain or loss on financial assets at fair value through profit or loss, gain or loss on disposal of financial assets at fair value through profit or loss, net gain or loss on disposal of subsidiaries and associates and equity-settled share option expenses.

The board (the “**Board**”) of directors (the “**Directors**”) of China SCE Group Holdings Limited (the “**Company**” or “**China SCE**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Year ended 31 December 2021

	<i>Notes</i>	2021 RMB’000	2020 <i>RMB’000</i>
REVENUE	5	37,737,447	32,572,605
Cost of sales		<u>(29,563,825)</u>	<u>(24,708,788)</u>
Gross profit		8,173,622	7,863,817
Other income and gains	5	769,663	1,252,155
Changes in fair value of investment properties, net		223,071	596,565
Selling and marketing expenses		(1,039,303)	(758,913)
Administrative expenses		(2,056,594)	(2,094,020)
Other expenses		(149,251)	(255,414)
Finance costs	6	(825,919)	(682,775)
Share of profits and losses of:			
Joint ventures		570,209	607,657
Associates		<u>70,427</u>	<u>33,975</u>
PROFIT BEFORE TAX	7	5,735,925	6,563,047
Income tax expense	8	<u>(2,067,114)</u>	<u>(2,117,421)</u>
PROFIT FOR THE YEAR		<u>3,668,811</u>	<u>4,445,626</u>

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

Year ended 31 December 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
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		(3,368)	10,981
Share of other comprehensive income of associates		26	32
Exchange differences on translation of foreign operations		494,563	1,219,091
		<hr/>	<hr/>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		491,221	1,230,104
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		491,221	1,230,104
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,160,032	5,675,730
		<hr/> <hr/>	<hr/> <hr/>
Profit attributable to:			
Owners of the parent		3,070,022	3,803,238
Non-controlling interests		598,789	642,388
		<hr/>	<hr/>
		3,668,811	4,445,626
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:			
Owners of the parent		3,537,055	4,957,948
Non-controlling interests		622,977	717,782
		<hr/>	<hr/>
		4,160,032	5,675,730
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>10</i>		
Basic		RMB72.7 cents	RMB90.6 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		RMB72.2 cents	RMB89.1 cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property and equipment		839,847	827,345
Investment properties		34,050,031	29,329,219
Intangible asset		2,819	2,986
Properties under development		9,437,268	9,852,502
Contract in progress		349,184	345,518
Investments in joint ventures		8,864,225	13,741,153
Investments in associates		1,155,530	899,806
Prepayments and other assets		906,061	3,107,817
Deferred tax assets		1,068,631	981,237
		<hr/>	<hr/>
Total non-current assets		56,673,596	59,087,583
CURRENT ASSETS			
Properties under development		90,011,728	64,671,346
Completed properties held for sale		8,135,339	7,775,568
Trade receivables	<i>11</i>	537,961	241,493
Prepayments, other receivables and other assets		10,934,736	9,398,292
Financial assets at fair value through profit or loss		1,294,023	816,687
Due from related parties		5,041,561	3,512,370
Prepaid income tax		2,378,173	1,711,340
Restricted cash		4,273,708	4,305,393
Pledged deposits		54,574	679,283
Cash and cash equivalents		15,677,587	18,415,066
		<hr/>	<hr/>
Total current assets		138,339,390	111,526,838

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2021

		2021	2020
	Note	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	12	14,782,300	11,806,110
Other payables and accruals		11,233,481	13,811,236
Contract liabilities		64,441,542	45,695,562
Interest-bearing bank and other borrowings		8,689,342	9,390,257
Senior notes and domestic bonds		6,618,778	4,449,796
Due to related parties		2,612,018	5,346,192
Tax payable		4,482,246	3,554,757
Total current liabilities		112,859,707	94,053,910
NET CURRENT ASSETS		25,479,683	17,472,928
TOTAL ASSETS LESS CURRENT LIABILITIES		82,153,279	76,560,511
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		20,833,380	16,285,355
Senior notes and domestic bonds		14,056,834	16,437,468
Lease liabilities		281,029	279,697
Deferred tax liabilities		4,205,661	4,344,758
Provision for major overhauls		69,264	60,619
Total non-current liabilities		39,446,168	37,407,897
Net assets		42,707,111	39,152,614
EQUITY			
Equity attributable to owners of the parent			
Issued capital		365,064	365,064
Reserves		21,421,296	20,633,339
		21,786,360	20,998,403
Non-controlling interests		20,920,751	18,154,211
Total equity		42,707,111	39,152,614

NOTES:

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has fully assessed and adopted, to the extent that is relevant to the Group, the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, *Interest Rate Benchmark Reform — Phase 2*
HKFRS 7, HKFRS 4 and HKFRS 16

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

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

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) and United States dollars based on the London Interbank Offered Rate (“**LIBOR**”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

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

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management and project management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment and project management segment are combined with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 5 below.

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

During the years ended 31 December 2021 and 31 December 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers		
Sales of properties	36,154,258	31,553,911
Property management fees	895,682	531,790
Project management income	234,225	171,867
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	6,859	4,386
Other lease payments, including fixed payments	446,423	310,651
	37,737,447	32,572,605

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income and gains		
Bank interest income	146,264	190,897
Consultancy service income	207,314	220,084
Interest income on amounts due from joint ventures	75,076	68,352
Forfeiture income on deposits received	30,707	28,782
Gain on disposal of items of property and equipment, net	36,394	593
Fair value gain on financial assets at fair value through profit or loss	–	199,663
Fair value gain on remeasurement of investments in joint ventures	71,269	159,575
Gain on bargain purchase	–	33,673
Gain on deemed acquisition of a subsidiary	–	35,031
Gain on disposal of associates	–	2,000
Gain on disposal of investment properties	35,966	16,268
Gain on disposal of financial assets at fair value through profit or loss	–	2,316
Foreign exchange differences, net	29,573	31,160
Government grants	36,343	106,166
Others	100,757	157,595
	<u>769,663</u>	<u>1,252,155</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other borrowings, senior notes and domestic bonds	3,327,947	3,226,193
Interest on lease liabilities	25,512	22,346
Increase in a discounted amount of provision for major overhauls arising from the passage of time	3,103	2,724
Total interest expense on financial liabilities not at fair value through profit or loss	3,356,562	3,251,263
Less: Interest capitalised	(2,530,643)	(2,568,488)
	<u>825,919</u>	<u>682,775</u>

7. PROFIT BEFORE TAX

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

	2021 RMB'000	2020 RMB'000
Cost of properties sold	28,805,002	24,172,885
Cost of services provided	758,656	535,736
Depreciation of property and equipment	55,128	53,732
Depreciation of right-of-use assets	67,062	55,454
Amortisation of an intangible asset	167	167
Provision for major overhauls	5,967	5,710
Lease payments not included in the measurement of lease liabilities	4,943	5,444
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	247	830
Auditor's remuneration	7,884	5,192
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	1,428,678	1,444,200
Equity-settled share option expense	–	21,429
Pension scheme contributions	244,710	134,625
Less: Amount capitalised	(431,362)	(342,778)
	<u>1,242,026</u>	<u>1,257,476</u>
Premium paid on early redemption of senior notes	–	38,624
Loss/(gain) on disposal of financial assets at fair value through profit or loss	20,809	(2,316)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	97,481	(199,663)
Loss on disposal of subsidiaries, net	149,251	216,790
Write down to net realisable value of completed properties held for sale	234,884	32,493
Write down to net realisable value of properties under development	<u>342,910</u>	<u>194,515</u>

8. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil).

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current charge for the year:		
PRC corporate income tax	2,125,003	1,688,796
PRC land appreciation tax	364,116	529,056
Under/(over)-provision in prior years, net:		
Mainland China	<u>(173,108)</u>	<u>34,671</u>
	2,316,011	2,252,523
Deferred tax credited for the year	<u>(248,897)</u>	<u>(135,102)</u>
Total tax charge for the year	<u><u>2,067,114</u></u>	<u><u>2,117,421</u></u>

9. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interim — HK12 cents (2020: HK11 cents) per ordinary share	421,436	393,870
Proposed final — HK6 cents (2020: HK18 cents) per ordinary share	<u>206,665</u>	<u>639,983</u>
	<u><u>628,101</u></u>	<u><u>1,033,853</u></u>

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 4,222,133,380 (2020: 4,196,013,161) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2021	2020
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	<u>3,070,022</u>	<u>3,803,238</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	4,222,133,380	4,196,013,161
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u>27,511,460</u>	<u>74,453,336</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u>4,249,644,840</u>	<u>4,270,466,497</u>

11. TRADE RECEIVABLES

The Group's trade receivables arise from the sales of properties, leasing of investment properties and provision of property management services.

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

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

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date and invoice date, is as follows:

	2021 RMB'000	2020 <i>RMB'000</i>
Current to 90 days	484,234	212,531
91 to 180 days	38,079	16,761
181 to 365 days	6,247	2,944
Over 365 days	9,401	9,257
	<u>537,961</u>	<u>241,493</u>

The financial impact of ECLs for trade receivables was insignificant for the years ended 31 December 2021 and 31 December 2020.

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 <i>RMB'000</i>
Within 1 year	14,440,800	11,540,147
Over 1 year	341,500	265,963
	<u>14,782,300</u>	<u>11,806,110</u>

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

2021 was a challenging year for the real estate industry in the PRC. The tightening of mortgage loan from banks and the introduction of second-hand housing price by local governments led to a rapid cooling of transactions in the real estate market. In the second half of the year, the real estate market officially entered the adjustment path, while there was a rapid deterioration in domestic and foreign financing environment. In order to alleviate cashflow pressure, real estate enterprises accelerated the pace of property sales and speeded up the cash inflow.

In 2021, although the real estate market in the PRC experienced an exuberance in the first half of the year and a profound adjustment in the second half of the year, the transaction volume and average selling price of commercial commodity housing in the PRC remained at a high level. According to the national real estate sales figures in 2021 issued by the National Bureau of Statistics of the PRC, the sales amount of national commodity housing amounted to approximately RMB18,193.0 billion in 2021, representing a year-on-year increase of 4.8%, of which the sales amount of residential housing increased by 5.3% as compared with that of last year. The sales area of national commodity housing amounted to approximately 1.79 billion sq.m. in 2021, representing an increase of 1.9% as compared with that of last year, of which the sales area of residential housing increased by 1.1% year-on-year.

BUSINESS REVIEW

Contracted Sales

In 2021, the Group together with its joint ventures and associates achieved a record-high contracted sales amount reaching approximately RMB104.531 billion (including the contracted sales amount of approximately RMB41.988 billion from the joint ventures and associates) and contracted sales area of approximately 7.47 million sq.m. (including the contracted sales area of approximately 2.59 million sq.m. from the joint ventures and associates) for the year, representing an increase of approximately 2.9% and 1.4% as compared with that of last year, respectively.

In 2021, the Group together with its joint ventures and associates had an aggregate of over 150 projects for sale in 61 cities, mainly in second-tier, third-tier and fourth-tier cities in the PRC. Among these projects, 37 projects were newly launched during the year.

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

By City

City	Contracted Sales Amount (RMB Million)	Contracted Sales Area (sq.m.)	Percentage of Contracted Sales Amount (%)
Xiamen	18,232	324,162	17.4
Fuzhou	7,808	254,420	7.5
Kunming	7,689	804,394	7.4
Quanzhou	7,157	751,955	6.8
Suzhou	6,940	356,722	6.6
Beijing	6,900	237,439	6.6
Chongqing	3,598	510,957	3.4
Shanghai	3,521	142,712	3.4
Foshan	3,313	183,600	3.2
Shangrao	3,298	458,055	3.2
Yiwu	2,496	109,917	2.4
Nanjing	2,373	138,121	2.3
Xuzhou	2,340	218,549	2.2
Other	28,866	2,978,532	27.6
Total	104,531	7,469,535	100.0

By Region

Region	Contracted Sales Amount (RMB Million)	Contracted Sales Area (sq.m.)	Percentage of Contracted Sales Amount (%)
West Taiwan Strait Economic Zone	39,678	2,122,633	38.0
Yangtze River Delta Economic Zone	31,285	2,064,503	29.9
Central Western Region	15,381	1,917,049	14.7
Bohai Rim Economic Zone	10,993	755,621	10.5
Guangdong — Hong Kong — Macao Greater Bay Area	7,194	609,729	6.9
Total	104,531	7,469,535	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	10,475	382,485	10.0
Second-tier cities	58,031	3,286,190	55.5
Third- and fourth-tier cities	36,025	3,800,860	34.5
Total	104,531	7,469,535	100.0

From the perspective of distribution among cities, contracted sales in Xiamen, Fuzhou, Suzhou and Kunming have been the most remarkable among the second-tier cities, amounting to approximately RMB18.232 billion, RMB7.808 billion, RMB6.940 billion and RMB7.689 billion, respectively, bring an excellent sales result for the Group. In addition, sales in Beijing and Quanzhou have been the most remarkable among the first-tier and third-tier cities, respectively, with their respective contracted sales amounting to approximately RMB6.900 billion and RMB7.157 billion, accounting for approximately 6.6% and 6.8% of the total contracted sales, respectively. As a result of the long-established West Taiwan Strait Economic Zone and the launch of 11 new projects, this region has become the region with the largest share of contracted sales for the Group together with its joint ventures and associates, amounting to RMB39.678 billion or approximately 38.0% in 2021.

Investment Properties

As at 31 December 2021, the Group together with its joint ventures and associates held 51 investment properties with a total gross floor area of 3.61 million sq.m. (attributable gross floor area of approximately 2.93 million sq.m.), of which 27 investment properties had commenced operation. The Group together with its joint ventures and associates have investment properties in 23 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.

Property Management

As at 31 December 2021, the Group had 128 and 16 residential properties and commercial properties, respectively, under management, with a gross floor area under management of approximately 20.80 million sq.m. and 1.6 million sq.m., respectively.

Land Bank

As at 31 December 2021, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 38.23 million sq.m., of which the aggregate planned GFA attributable to the Group was approximately 27.24 million sq.m. and distributed in 63 cities. In 2021, the Group together with its joint ventures and associates acquired 25 projects in total, distributed in 18 cities, including Shanghai, Beijing, Chengdu, Hangzhou, Suzhou, Tianjin, Fuzhou, Hefei, Yantai and Quanzhou etc., among which seven cities were new. In 2021, the Group together with its joint ventures and associates added an aggregate above-ground GFA of approximately 6.50 million sq.m., at an aggregate land costs of approximately RMB34.675 billion, with the attributable land cost being approximately RMB23.035 billion. The average land cost was approximately RMB5,331 per sq.m. The new land acquisitions in 2021 were as follows:

City	Project	Type of Property	Above-ground	Land Cost	Average	Percentage
			GFA		Land Cost	of Interest
						Attributable
			(sq.m.)	(RMB Million)	(RMB per sq.m.)	to the Group (%)
Bohai Rim Economic Zone						
Beijing	The Cloudland	Residential and commercial	262,361	4,520	17,228	63
Tianjin	Imperial Palace	Residential and commercial	106,152	831	7,828	100
Tianjin	Parkview Bay	Residential and commercial	94,998	810	8,527	50
Yantai	Parkview Mount	Residential	77,090	79	1,022	100
Yantai	SCE Funworld	Residential and commercial	169,450	176	1,037	100
Rizhao	SCE Funworld/ Parkview Mount	Residential and commercial	356,875	630	1,765	100
Binzhou	Parkview Mount	Residential and commercial	671,585	1,381	2,056	100
Binzhou	SCE Funworld/ Parkview Mount	Residential and commercial	68,306	154	2,259	100

City	Project	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB per sq.m.)	Percentage of Interest Attributable to the Group (%)
Yangtze River Delta Economic Zone						
Shanghai	Shanghai Yangsi Funlive	Commercial	34,422	568	16,501	20
Shanghai	Shanghai Guangfulin Funlive/Imperial Manor	Residential and commercial	103,448	1,743	16,849	100
Shanghai	Shanghai Zhuanqiao Funlive	Commercial	16,207	185	11,415	20
Hangzhou	Woven City	Residential and commercial	812,517	9,104	11,205	51
Suzhou	Skyview Mansion	Residential and commercial	75,926	1,220	16,062	40
Hefei	SCE Funworld/ Parkview Mount	Residential and commercial	383,245	2,918	7,613	80
Nantong	SCE Funworld/ Imperial Manor	Residential and commercial	356,965	1,500	4,203	51
Nantong	SCE Funworld/Imperial Manor	Residential and commercial	487,637	2,204	4,519	56
Jiaxing	Maple Mansion	Residential	106,317	623	5,864	30
Luan	CIFI Center	Residential and commercial	502,587	1,007	2,004	30
West Taiwan Strait Economic Zone						
Fuzhou	Imperial Manor	Residential	38,511	394	10,231	100
Quanzhou	Imperial Terrace	Residential	188,995	1,032	5,460	100
Quanzhou	Academic Manor	Residential	47,544	212	4,459	40
Guangdong — Hong Kong — Macao Greater Bay Area						
Shantou	SCE Funworld/ Imperial Manor	Residential and commercial	463,536	1,830	3,948	100
Central Western Region						
Chengdu	Parkview Bay	Residential and commercial	98,010	559	5,700	100
Pingdingshan	Parkview Manor	Residential	415,840	449	1,080	51
Wenshan	Parkview Mount	Residential	565,646	546	966	100
			<u>6,504,170</u>	<u>34,675</u>	<u>5,331</u>	

OUTLOOK

As we enter 2022, it is expected that the central government will continue its policy of “No Speculation of Residential Properties”. In order to mitigate the risks in the real estate market, local governments will introduce more policies to promote reasonable housing demand and reduce the impact of the sales downturn on the cash flow of real estate enterprises. The Group believes that the property market in 2022 will drop from its high level and the competition in the industry will remain stringent. Only by opting to grow resiliently can the employees at China SCE overcome the coldest storm and thrive healthily.

China SCE has continued to build a strong protection for resilient growth, that is to adhere to the “One Body Two Wings” strategy, strengthen the synergy between shopping malls and rental apartments with residential development, make structural adjustments in phases, focus on precise investments in first- and second-tier cities, and expand differentiated competitiveness.

China SCE will adhere to its business orientation and strengthen its operational penetration and resilience. Real estate development has implemented a more flexible cash flow control mechanism to further improve the asset management system and to shorten the reflex arc through data mining and application to facilitate efficient decision-making and operational quality. SCE Intelligent Commercial Management Holdings Limited, the listed subsidiary of China SCE, will take quality as the basis to promote the smooth opening of each Funworld and achieve a win-win situation for customer value and corporate value through high quality operation and digital empowerment. By focusing on first-tier and core second-tier cities, Funlive long-term rental apartments will continue to enhance its digital operation capabilities and expand the scale of its partnership with high-volume income funds to achieve simultaneous growth in scale and value.

China SCE will continue to build an endogenous talent system, concentrating on the training of core management staff and providing practical training to enhance the self-adjustment of talents and the organisation to the business environment. Organisational penetration has been enhanced through mechanisms such as management inspections and face-to-face meetings with entry-level staff. The management incentive mechanism has also been optimised to build a long-term, stable and reliable team and to give China SCE stronger organisational resilience with a constant flow of endogenous resources.

Maintaining its customer-oriented focus, the Company will upgrade its product brand positioning and continue to enhance its product and service capabilities. At the same time, through data mining and application, the Company will strengthen the utilisation of customer insights and establish interactive connections with customer in multiple interfaces revolving customer needs, thus fulfilling our customers’ aspirations for a better life with “Intelligent SCE”. Gaining more recognition and support by creating value for our customers is the source of our resilience at China SCE.

FINANCIAL REVIEW

Revenue

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

The annual revenue increased by approximately 15.9% from approximately RMB32,572,605,000 in 2020 to approximately RMB37,737,447,000 in 2021, which was attributable to the increase in property sales income.

- *Sales of properties*

Income from property sales increased by approximately 14.6% from approximately RMB31,553,911,000 in 2020 to approximately RMB36,154,258,000 in 2021. Delivered area increased by approximately 1.6% from 3,248,928 sq.m. in 2020 to 3,300,131 sq.m. in 2021. The average unit selling price increased from approximately RMB9,712 per sq.m. in 2020 to approximately RMB10,955 per sq.m. in 2021.

- *Property management fees*

Property management fees increased significantly by approximately 68.4% from approximately RMB531,790,000 in 2020 to approximately RMB895,682,000 in 2021, which was mainly attributable to the increase in number and floor area of properties under management.

- *Rental income*

Rental income increased significantly by approximately 43.9% from approximately RMB315,037,000 in 2020 to approximately RMB453,282,000 in 2021, which was mainly attributable to the increase in rental income of the office buildings of SCE Plaza in Shanghai and the SCE Funworld shopping malls in Quanzhou and Putian.

- *Project management income*

The project management income increased significantly by approximately 36.3% from approximately RMB171,867,000 in 2020 to approximately RMB234,225,000 in 2021, which was attributable to the increase in project management service and other property related service income provided to joint ventures.

Gross Profit

Gross profit increased by approximately 3.9% from approximately RMB7,863,817,000 in 2020 to approximately RMB8,173,622,000 in 2021. Gross profit margin decreased from approximately 24.1% in 2020 to approximately 21.7% in 2021. The decrease in gross profit margin was attributable to the decrease on the unit selling prices of projects as a result of the downturn in property market.

Changes in Fair Value of Investment Properties, Net

The fair value gains of investment properties decreased significantly by approximately 62.6% from approximately RMB596,565,000 in 2020 to approximately RMB223,071,000 in 2021. The fair value gains of investment properties during the year were mainly attributable to the value appreciations of certain shopping malls.

Selling and Marketing Expenses

Selling and marketing expenses increased significantly by approximately 36.9% from approximately RMB758,913,000 in 2020 to approximately RMB1,039,303,000 in 2021. The increase in selling and marketing expenses was mainly attributable to the significant increase in the number of projects for sale during the year.

Administrative Expenses

Administrative expenses decreased by approximately 1.8% from approximately RMB2,094,020,000 in 2020 to approximately RMB2,056,594,000 in 2021. The decrease in administrative expenses was mainly attributable to implementation of stringent cost control and improvement in per capita efficiency.

Finance Costs

Finance costs increased by approximately 21.0% from approximately RMB682,775,000 in 2020 to approximately RMB825,919,000 in 2021. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain borrowings were not used for project developments. Due to the increase in bank and other borrowings (including senior notes and domestic bonds), total interest expense increased by approximately 3.2% from approximately RMB3,251,263,000 in 2020 to approximately RMB3,356,562,000 in 2021.

Share of Profits and Losses of Joint Ventures and Associates

Share of profits of joint ventures and associates decreased by approximately 0.2% from approximately RMB641,632,000 in 2020 to approximately RMB640,636,000 in 2021. The decrease was mainly attributable to the write down to net realisable value of completed properties held for sale of joint ventures during the year.

Income Tax Expense

Income tax expense decreased by approximately 2.4% from approximately RMB2,117,421,000 in 2020 to approximately RMB2,067,114,000 in 2021. The decrease was mainly due to the decrease in gross profit margin.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent decreased by approximately 19.3% from approximately RMB3,803,238,000 in 2020 to approximately RMB3,070,022,000 in 2021. Basic earnings per share amounted to approximately RMB72.7 cents in 2021. Core profit attributable to owners of the parent decreased by approximately 7.4% from approximately RMB3,354,057,000 in 2020 to approximately RMB3,106,339,000 in 2021.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2021, the Group's cash and bank balances were denominated in different currencies as set out below:

	2021 RMB'000	2020 RMB'000
Renminbi	19,221,382	21,222,705
Hong Kong dollars	711,128	385,287
US dollars	73,359	1,791,750
	<hr/>	<hr/>
Total cash and bank balances	20,005,869	23,399,742
	<hr/>	<hr/>

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain bills issued from banks in the PRC. As at 31 December 2021, the amounts of restricted cash and pledged deposits were approximately RMB4,273,708,000 (31 December 2020: approximately RMB4,305,393,000) and approximately RMB54,574,000 (31 December 2020: approximately RMB679,283,000), respectively.

Borrowings

The maturity profile of the borrowings of the Group as at 31 December 2021 was as follows:

	2021 RMB'000	2020 <i>RMB'000</i>
Bank and other borrowings:		
Within one year or on demand	8,689,342	9,390,257
In the second year	8,247,016	4,734,566
In the third to fifth years, inclusive	10,520,506	10,177,554
Beyond fifth year	2,065,858	1,373,235
	29,522,722	25,675,612
Senior notes and domestic bonds:		
Within one year or on demand	6,618,778	4,449,796
In the second year	3,688,639	6,709,909
In the third to fifth years, inclusive	10,368,195	9,727,559
	20,675,612	20,887,264
Total borrowings	50,198,334	46,562,876

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

	2021 RMB'000	2020 <i>RMB'000</i>
Bank and other borrowings:		
Renminbi	23,987,110	20,896,946
Hong Kong dollars	1,360,565	3,214,046
US dollars	4,175,047	1,564,620
	29,522,722	25,675,612
Senior notes and domestic bonds:		
Renminbi	4,000,000	4,000,000
US dollars	16,675,612	16,887,264
	20,675,612	20,887,264
Total borrowings	50,198,334	46,562,876

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, senior notes and domestic bonds after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 31 December 2021, the net gearing ratio was approximately 70.7% (31 December 2020: approximately 59.2%).

Exchange Rate Fluctuation Exposures

The Group's businesses are located in the PRC and substantially all of the Group's revenue and operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 31 December 2021, except for certain bank deposits, financial assets at fair value through profit or loss, bank and other borrowings and senior notes which were denominated in foreign currencies, exchange rate changes of RMB against foreign currencies will not have material adverse effect on the results of operations of the Group.

No foreign currency hedging arrangement was made as at 31 December 2021. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 9,770 employees (31 December 2020: 9,414 employees). During the year, the total cost of employees was approximately RMB1,673,388,000 (2020: approximately RMB1,600,254,000). The Group provides employees with competitive remuneration and benefits and has adopted share option schemes to provide incentives and rewards to, among others, the employees. The Group reviews the employee remuneration plan at least annually to ensure that it maintains market competitiveness and allows the employees to receive fair and equal rewards. The promotion decision is also based on considering the employees' assessment results, experience, skills and personal characteristics. In addition, the Group has established China SCE College to provide employees with three types of training programs, namely business courses, quality skills and cultural identity. The Group has launched its management trainee programme since 2011 for positions in selected functional areas in order to build pipeline for succession.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “**Annual General Meeting**”) of the Company will be held on Friday, 24 June 2022. Notice of the Annual General Meeting will be published and dispatched in accordance with the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) in due course.

DIVIDEND

The Board has proposed the payment of a final dividend of HK6 cents (2020: HK18 cents) per ordinary share for the year ended 31 December 2021 to the Company's shareholders whose names appear on the register of members of the Company at the close of business on Friday, 8 July 2022. The proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting.

The proposed final dividend will be payable in cash, with an option provided to the Company's shareholders to receive new and fully paid shares in lieu of cash, in whole or in part, under the scrip dividend scheme (the "**Scrip Dividend Scheme**"). The new shares of the Company (the "**New Shares**") will, on issue, rank *pari passu* in all respects with the existing shares in issue on the date of the allotment and issue of the New Shares except that they shall not be entitled to the proposed final dividend for the year ended 31 December 2021. The circular containing details of the Scrip Dividend Scheme and the relevant election form is expected to be sent to shareholders in due course.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the forthcoming Annual General Meeting and the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the New Shares to be issued under the Scrip Dividend Scheme.

It is expected that the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be sent by ordinary mail to the Company's shareholders, at their own risk on or around Wednesday, 24 August 2022.

CLOSURE OF REGISTER OF MEMBERS

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

- (a) for the purpose of determining shareholders who are entitled to attend and vote at the Annual General Meeting to be held on Friday, 24 June 2022, the register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, during which no transfer of shares can be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 June 2022; and

- (b) for the purpose of determining shareholders who are qualified for the proposed final dividend, subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting, the register of members of the Company will be closed from Thursday, 7 July 2022 to Friday, 8 July 2022, both days inclusive, during which no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 6 July 2022.

AUDIT COMMITTEE

The Company established an audit committee of the Board (the “**Audit Committee**”) on 6 January 2010 in compliance with rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman, and Mr. Lu Hong Te and Mr. Dai Yiyi as members. Mr. Ting Leung Huel Stephen, the chairman of the Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of rule 3.10(2) of the Listing Rules.

The Audit Committee has reviewed the accounting policies adopted by the Group, the consolidated financial statements of the Group for the year ended 31 December 2021 and this annual results announcement.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes to the consolidated financial statements thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company's external auditor, Ernst & Young (“**EY**”), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2021.

CORPORATE GOVERNANCE

During the year ended 31 December 2021, save as disclosed below, the Company and the Board was in compliance with the code provisions of the Corporate Governance Code effective during the year (the “CG Code”) set out in Appendix 14 to the Listing Rules:

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

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

This results announcement of the Company for the year ended 31 December 2021 is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.sce-re.com.

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

Hong Kong, China, 30 March 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.