SUN CENTURY GROUP LIMITED

太陽世紀集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1383)

2011 ANNUAL RESULTS ANNOUNCEMENT

The board ("Board") of directors ("Directors") of Sun Century Group Limited (formerly known as Hong Long Holdings Limited) (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Turnover	2	**324,494**	1,132,896
Cost of sales		**(270,857)**	(864,086)
		53,637	268,810
Less: Sales return of properties sold	2	–	(313,521)
Cost of properties returned		–	27,776
		–	(285,745)
Gross profit/(loss)		**53,637**	(16,935)

* *For identification purpose only*

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Other net expenses	*3*	**(18,886)**	(4,125)
Other income	*4*	**15,085**	6,516
Selling and distribution expenses		**(7,390)**	(33,394)
General and administrative expenses		**(54,544)**	(63,097)
Other operating expenses		**(233,344)**	(216,069)
Net (decrease)/increase in fair value of investment properties		**(752,000)**	208,415
Impairment loss on inventories		**(260,506)**	–
Loss from operations		**(1,257,948)**	(118,689)
Net change in fair value of derivative financial instruments		**14,267**	15,977
Finance costs		**(156,023)**	(160,934)
Gain on bargain purchase in respect of business combination		**–**	123,979
Gain on derecognition of available-for-sale financial assets		**33,306**	–
Gain on disposal of subsidiaries		**81,873**	200,801
Impairment loss on subsidiaries group classified as held for sale	*11*	**(8,861)**	–
(Loss)/Profit before tax		**(1,293,386)**	61,134
Income tax	*5*	**175,259**	(28,455)
(Loss)/Profit and total comprehensive (expense)/income for the year	*6*	**(1,118,127)**	32,679
Attributable to:			
Owners of the Company		**(1,118,121)**	37,609
Non-controlling interests		**(6)**	(4,930)
		(1,118,127)	32,679
		RMB cents	*RMB cents* (Restated)
(Loss)/Earnings per share	*8*		
Basic and diluted		**(73.18)**	2.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		**3,836**	9,871
Investments properties		**780,000**	1,614,100
Available-for-sale financial assets		**–**	251,895
Deferred tax assets		**8,924**	13,233
		792,760	1,889,099
Current assets			
Inventories		**1,273,475**	1,782,393
Trade and other receivables	*9*	**760,199**	769,384
Consideration receivables		**75,603**	153,927
Trading securities		**2,296**	4,060
Pledged deposits		**1,078**	9,431
Bank and cash balances		**49,049**	92,787
		2,161,700	2,811,982
Subsidiaries group classified as held for sale – assets	*11*	**447,108**	–
Current liabilities			
Trade and other payables, and accruals	*10*	**963,766**	378,286
Receipts in advance		**18,046**	120,745
Rental and other deposits		**11,768**	11,792
Derivative financial liabilities		**8**	14,275
Bank and other borrowings		**865,957**	823,230
Current tax liabilities		**138,414**	175,601
		1,997,959	1,523,929
Subsidiaries group classified as held for sale – liabilities	*11*	**201,408**	–

	2011	2010
	RMB'000	*RMB'000*
Net current assets	**409,441**	1,288,053
Total assets less current liabilities	**1,202,201**	3,177,152
Non-current liabilities		
Bank and other borrowings	**447,000**	1,112,200
Deferred tax liabilities	**98,091**	288,726
	545,091	1,400,926
NET ASSETS	**657,110**	1,776,226
Capital and reserves		
Share capital	**11,971**	11,971
Reserves	**645,139**	1,763,260
Equity attributable to owners of the Company	**657,110**	1,775,231
Non-controlling interests	**–**	995
TOTAL EQUITY	**657,110**	1,776,226

Notes:

1. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced considering the potential impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. **TURNOVER AND SEGMENT INFORMATION**

The Group has two reportable segments as follows:

Property development – this segment develops and sells office premises, residential and retail properties. Currently all the Group's property development activities are carried out in the People's Republic of China (the "PRC").

Property leasing – this segment leases retail properties to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's entire investment property portfolio is located in the PRC.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business segment requires different marketing strategies.

The accounting policies of the operating segments are the same as those of the Group. Segment profits or losses do not include finance costs, net change in fair value of derivative financial instruments and corporate income and expenses. Segment assets include all current and non-current assets with the exception of trading securities, deferred tax assets and other corporate assets. Segment liabilities include all trade and other payables, accruals, receipts in advance and rental and other deposits.

Information about reportable segment profit or loss, assets and liabilities

	Property development *RMB'000*	Property leasing *RMB'000*	Total *RMB'000*
For the year ended 31 December 2011			
Revenue from external customers	288,552	35,942	324,494
Segment loss	368,357	763,461	1,131,818
Other information:			
Gain on disposal of property, plant and equipment	1,386	–	1,386
Loss on disposal of investment properties	–	22,100	22,100
Reversal of over provision of accruals	9,847	–	9,847
Depreciation	1,935	730	2,665
Impairment loss on trade receivables	160,157	1,106	161,263
Net decrease in fair value of investment properties	–	752,000	752,000
Impairment loss on inventories	260,506	–	260,506
Gain on derecognition of available-for-sale financial assets	33,306	–	33,306
Gain on disposal of subsidiaries	80,799	1,074	81,873
Impairment loss on subsidiaries group classified as held for sale	8,861	–	8,861
Additions to segment non-current assets	306	21	327
At 31 December 2011			
Segment assets	2,437,073	813,109	3,250,182
Segment liabilities	1,123,726	20,229	1,143,955
For the year ended 31 December 2010			
Revenue from external customers	752,865	66,510	819,375
Segment profit	48,693	242,758	291,451
Other information:			
Net increase in fair value of investment properties	–	208,415	208,415
Depreciation	3,321	548	3,869
Gain on bargain purchase in respect of business combination	123,979	–	123,979
Gain on disposal of subsidiaries	200,801	–	200,801
Impairment loss on prepaid land cost	1,177	–	1,177
Impairment losses on other receivables and loans and advances	187,597	–	187,597
Other receivables written off	–	4,222	4,222
Additions to segment non-current assets	4,028	29,881	33,909
At 31 December 2010			
Segment assets	2,817,290	1,688,470	4,505,760
Segment liabilities	430,207	71,389	501,596

Reconciliations of reportable segment profit or loss, assets and liabilities

	2011	2010
	RMB'000	*RMB'000*
(Loss)/Profit		
Total (loss)/profit of reportable segments	**(1,131,818)**	291,451
Other income and other net expenses	**2,082**	1,988
Depreciation and amortisation	**(32)**	(101)
Corporate finance costs	**(156,023)**	(160,934)
Net change in fair value of derivative financial instruments	**14,267**	15,977
Other corporate expenses	**(21,862)**	(87,247)
Consolidated (loss)/profit before tax	**(1,293,386)**	61,134
Assets		
Total assets of reportable segments	**3,250,182**	4,505,760
Trading securities	**2,296**	4,060
Deferred tax assets	**8,924**	13,233
Unallocated corporate assets	**140,166**	178,028
Consolidated total assets	**3,401,568**	4,701,081
Liabilities		
Total liabilities of reportable segments	**1,143,955**	501,596
Current tax liabilities	**138,414**	175,601
Deferred tax liabilities	**98,091**	288,726
Unallocated corporate liabilities	**1,363,998**	1,958,932
Consolidated total liabilities	**2,744,458**	2,924,855

Geographical information

All the revenue generated by the Group for the two years ended 31 December 2011 and 2010 were attributable to customers based in the PRC. In addition, majority of the Group's non-current assets are located in the PRC. Accordingly, no geographical analysis is presented.

Revenue from major customers

During the year, revenue derived from the Group's largest customer which accounted for 10% or more of the Group's total revenue amounted to approximately RMB69,996,000. This revenue is attributable to the property development segment. During the year ended 31 December 2010, revenue derived from the Group's largest customer which accounted for 10% or more of the Group's total revenue amounted to approximately RMB466,240,000.

3. Other net expenses

	2011	2010
	RMB'000	*RMB'000*
Loss on repurchase of Senior Note	**–**	(2,988)
Gain on disposal of property, plant and equipment	**1,386**	625
Loss on disposal of investment properties	**(22,100)**	–
Net fair value losses on trading securities	**(764)**	(264)
Net exchange losses	**(11)**	(1,498)
Net utilites expenses related to property leasing business	**(1,064)**	–
Waiver of other payables	**3,600**	–
Others	**67**	–
	(18,886)	(4,125)

4. Other income

	2011	2010
	RMB'000	*RMB'000*
Interest income	**3,142**	3,095
Reversal of over provision of accruals	**9,847**	–
Dividend income from unlisted investment	**–**	193
Others	**2,096**	3,228
	15,085	6,516

5. Income tax

Taxation in the consolidated statement of comprehensive income:

	2011	2010
	RMB'000	*RMB'000*
Current tax		
Hong Kong Profits Tax		
– Under provision in respect of prior year	**16**	–
PRC Corporate Income Tax		
– Provision for the year	**13,343**	56,255
– Under provision in respect of prior years	**–**	60
	13,359	56,315
Land Appreciation Tax ("LAT")		
– Provision for the year	**–**	37,512
– Over provision in prior years	**–**	(151,610)
	–	(114,098)
	13,359	(57,783)
Deferred tax		
Origination and reversal of temporary differences	**(188,618)**	87,661
Effect of changes in tax rate on opening deferred tax balances	**–**	(1,423)
	(188,618)	86,238
	(175,259)	28,455

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: nil) on the estimated assessable profits arising in Hong Kong.

The provision for the PRC Corporate Income Tax is based on a statutory rate of 25% (2010: 25%) of the taxable profits determined in accordance with the relevant income tax rules and regulations in the PRC for the year ended 31 December 2011, except for certain subsidiaries of the Group located within the special economic zones in the PRC for which the applicable preferential tax rate is 24% (2010: 22%) for 2011. The preferential tax rate will be increased to 25% for the year ending 31 December 2012. Accordingly, the deferred tax of the Group is recognised based on tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

6. (Loss)/profit and total comprehensive (expense)/income for the year

	2011	2010
	RMB'000	*RMB'000*
Depreciation	**2,731**	4,277
Less: Amount capitalised	**(34)**	(307)
	2,697	3,970
Auditor's remuneration:		
– Current year	**1,216**	1,106
– Under provision in prior year	**130**	202
– Other services	**684**	520
	2,030	1,828
Staff costs including Directors' emoluments:		
– Salaries, bonus and allowances	**24,479**	43,002
– Retirement benefit scheme contributions	**2,935**	2,010
	27,414	45,012
Less: Amount capitalised	**(2,238)**	(8,121)
	25,176	36,891
Operating lease charges in respect of:		
– Sub-leased properties	**5,846**	7,531
– Office premises and staff quarters	**4,800**	1,275
Cost of inventories sold	**256,402**	809,237
Impairment loss on trade receivables	**161,263**	–
Impairment losses on other receivables and loans and advance	**–**	201,073
Impairment loss on prepaid land costs	**–**	1,177
Other receivables written off	**–**	4,222
Direct outgoings (note)	**14,455**	27,073

Note:

Direct outgoings represent operating lease charges (in respect of sub-leased properties which are disclosed separately above) and management fee expenses.

7. Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: nil).

A special dividend of HK$0.15 per ordinary share, in the form of cash or in the form of scrip dividend or a combination of these, was declared on 5 February 2010 and was recognised as distribution on 31 March 2010:

	2011	2010
	RMB'000	*RMB'000*
2010 special dividend	**–**	153,542

8. (Loss)/Earnings per share

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	2011	2010
	RMB'000	*RMB'000*
(Loss)/Profit for the year attributable to owners of the Company and (loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	**(1,118,121)**	37,609

	Number of shares	
	2011	2010 (restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,528,001,590**	1,501,800,418
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year	**–**	1,489,625
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**1,528,001,590**	1,503,290,043

The weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share for both periods have been retrospectively adjusted for the effect of bonus element in connection to the open offer (see note 13(a)) completed in January 2012.

9. Trade and other receivables

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**11,750**	326,940
Other receivables	**2,127**	2,445
Loans and advances	**33,280**	157,046
Prepaid land costs	**74,494**	232,320
Prepayments and deposits	**638,548**	50,633
	760,199	769,384

Trade receivables are mainly arisen from leasing and sales of properties. Rental receivables from tenants are due on presentation of invoices and no credit terms for sales of properties unless otherwise specified in the underlying agreements with the purchasers.

The ageing analysis of trade receivables, based on invoice date for property leasing and delivery date for property sales, is as follows:

	2011	2010
	RMB'000	*RMB'000*
0 to 3 months	**11,670**	317,528
More than 3 months but less than 6 months	**–**	683
More than 6 months but less than 1 year	**–**	5,096
Over 1 year	**80**	3,633
	11,750	326,940

10. Trade and other payables, and accruals

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**109,644**	108,298
Amounts due to directors	**440**	3,540
Other creditors and accrued charges	**853,682**	266,448
	963,766	378,286

The ageing analysis of trade payables is as follows:

	2011	2010
	RMB'000	*RMB'000*
0-3 months or on demand	**109,644**	100,226
More than 3 months but less than 6 months	–	2,748
More than 6 months but less than 1 year	–	592
Over 1 year	–	4,732
	109,644	108,298

11. Subsidiaries group classified as held for sale

In August 2011, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Luxegood Developments Limited ("Luxegood") for a consideration of HK$323,170,000 (equivalent to approximately RMB269,308,000). In December 2011, the Group entered into a supplemental agreement to adjust the consideration to HK$294,840,000 (equivalent to approximately RMB245,700,000). The transaction was subsequently completed on 24 February 2012. The assets and liabilities attributable to Luxegood have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). Luxegood is included in the Group's property development business for segment reporting purposes. The net carrying amount of the relevant assets and liabilities exceed the net proceed of disposal and accordingly, an impairment loss of RMB8,861,000 has been recognised.

(a) Assets of subsidiaries group classified as held for sale

	RMB'000
Property, plant and equipment	606
Deferred tax assets	177
Inventories	399,631
Trade and other receivables	40,220
Taxation recoverable	6,188
Pledged deposits	1,575
Bank and cash balances	7,572
	455,969
Impairment loss recognised	(8,861)
	447,108

(b) Liabilities of subsidiaries group classified as held for sale

	RMB'000
Trade and other payables	6,571
Receipt in advance	145,987
Bank and other borrowings	48,850
	201,408

12. Contingent liabilities

(a) At 31 December 2011, the Group provided guarantees to certain banks in respect of mortgage facilities granted in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	2011	2010
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers	**30,462**	332,810

Pursuant to the terms of the guarantees, if there are any defaults on the mortgages, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulting purchasers to banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees shall be released in accordance with the terms of the guarantee contracts, such as:

(i) upon the issue of the relevant purchaser's property ownership certificate and in the custody of the bank; or

(ii) up to a maximum of two years after the full repayment of mortgage loan by the relevant purchaser.

At 31 December 2011, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

The fair value of the guarantees at date of inception is not material and is not recognised in the consolidated financial statements.

(b) At 31 December 2011, the Group provided guarantees to certain banks and financial institutions to the extent of RMB1,131,000,000 (2010: RMB1,131,000,000) in respect of loan facilities granted to certain disposed subsidiaries. The maximum liability of the Group, at 31 December 2011, under the guarantees was the total facilities utilised by the disposed subsidiaries as at the same date which amounted to approximately RMB756,000,000. The guarantees shall be released, in accordance with the terms of the guarantee contracts, up to a maximum of two years after the full repayment of the loans.

At 31 December 2011, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees since the loan facilities were also secured by certain certificates of land use rights of lands owned by the disposed subsidiaries and 100% equity interest of the disposed subsidiaries.

The fair value of the guarantees at date of inception is not material and is not recognised in the consolidated financial statements.

(c) Pursuant to a purchase agreement of land use right and a supplement agreement both dated 31 January 2008, if the Group cannot complete the underlying property development project at Chaohu City, Anhui Province, the PRC ("Chaohu Project") on or before 31 December 2010, the vendor shall charge the Group a daily penalty of 0.1% on the land premium amount. At 31 December 2011, the Group experienced a delay in the construction progress and would not be able to meet the contractual construction completion date. However, up to the date of this announcement, the Group has not received any enforcement notice from the vendor in relation to the above. Based on past experience, the Directors are of the opinion that the first phase of Chaohu Project shall be completed in 2012 and the Group will not be subject to any penalties relating to the delay in the contractual construction completion date. Hence, no provision has been made in the consolidated financial statements.

13. Events after the reporting period

(a) On 4 January 2012, the Company raised approximately HK$61,534,000 (equivalent to RMB49,227,000) before expenses for working capital of the Group and for settlement of outstanding projects construction cost, by way of issuing 615,335,692 shares of HK$0.01 each at the subscription price of HK$0.10 per share on the basis of one offer share for every two shares held on 8 December 2011, the record date of the open offer. Details of the open offer are set out in the prospectus of the Company dated 9 December 2011.

(b) On 6 January 2012, Hong Long Property Group Limited ("Hong Long Property"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the disposal of its wholly-owned subsidiary Shenyang Hong Long Real Estates Company Limited which is principally engaged in the property development for the consideration of RMB82,000,000.

(c) In January 2012, the Company issued convertible notes in the principal amount of HK$30 million to an independent third party to raise general working capital for the Group. On 20 February 2012, 244,299,674 shares of HK$0.01 each were issued by the Company on the conversion price of HK$0.1228 per share as the note holder exercised the conversion rights attached to the convertible notes.

(d) On about 5 March 2012, Shenzhen Branch of China Construction Bank (the "Bank") has filed a writ of civil proceedings (the "Writ") with Guangdong Higher People's Court against Shenzhen Hong Long Commercial Management Company Limited ("Hong Long Commercial Management"), Hong Long Property, both indirect wholly-owned subsidiaries of the Company and a former Director (the "Former Director") of the Company (the "Action"). The Action is relating to the loan contract dated 27 February 2009 and entered into between Hong Long Commercial Management and the Bank for a loan of RMB600 million (the "Loan") and the charge contract entered into between Hong Long Property and the Bank in 2009 pursuant to which Hong Long Property created a charge over five commercial units in Bao An District, Shenzhen with total GFA of about 64,447.13 m^2 (the "Charged Properties") in favour of the Bank as security for the Loan. Pursuant to the Writ, the following orders are being sought by the Bank:

(i) Hong Long Commercial Management shall repay the outstanding principal of the Loan of RMB440.6 million and the outstanding interest accrued thereon up to the date of the full repayment of the outstanding principal of the Loan;

(ii) the Bank shall have the right to dispose of the Charged Properties and priority to be compensated by the proceeds from such disposal;

(iii) Hong Long Property and the Former Director shall be jointly liable for the liabilities of Hong Long Management as guarantors; and

(iv) Hong Long Commercial Management, Hong Long Property and the Former Director shall bear the costs of the proceedings and other costs incurred by the Bank.

REVIEW AND OUTLOOK

As the Chinese government introduced a series of austerity measures over monetary policy to contain speculation activities in the real estate market, the year 2011 was by any means a difficult year for both the Group and the real estate sector in the PRC. Under such circumstances, the real estate market in the PRC experienced the severest and yet the most controversial regulatory policies in 2011. In general, the focus of the macro regulatory policies has shifted from the initial control over the real estate sector to affect related industries as well as the overall economic structure at present.

In review of the real estate industry for the year 2011, property developers, investors and residential buyers all held back by prudence. In 2011, the real estate market seemed to have weathered the storm as the housing prices remained stable amid the continued tightening control measures by the Chinese government which resulted in a significant decline in turnover volume.

We anticipate that the policies on real estate industry will be further rationalised in 2012, contributing to a steady development of the industry. In the work meeting convened earlier in relation to the national housing and the urban-rural development, recommendation was made to support the reasonable housing demand from residents in the coming year and ensure that the demand for loans from the first time buyers will be entertained with high priority. We can see that the focus of the regulatory policies in 2012 will be suppression of speculations, increase in supply and channeling demand. Measures such as imposition of property tax in 70 large and medium cities, extension of purchase limitation to cities of county-level and lowering the deposit required for first-time property buyers and interest rate will be introduced and implemented by municipal governments. There will be segmentation in land supply. The supply of land for medium-to-low commodity housing will be increased so that the prices will fall while the high-end commodity housing will face with reduced supply driving prices up. Increase in supply for medium-to-low commodity housing will become a key area of work in the segment of commodity housing this year. 2012 marks the turning point where market participants will gradually establish a rational mentality. The real estate industry may return to a stage of normal development.

To address the problems arising from difficulties in financing, delay in completion of construction work, overstocking and pressures over loan repayment in the current real estate industry in the PRC, the Group concentrated on integrating its business in 2011. By the orderly disposal of its capital-intensive projects, the Group pooled together its capital resources on developing individual projects, so that construction work could be completed on schedule, the problem of overstocking would be alleviated and the pressure on funding would be relieved, preserving strength for the Group to capture the opportunities ahead. As we expect that the supply for high-end commodity housing will decrease and prices will go up, the development of the Group's business in future will focus on high-end commodity housing, as well as the development of real estate market in both the Yangtze Delta region and the Pearl River Delta region.

Although the Chinese government is expected to remain active in regulating the real estate industry, the urbanisation trend and the traditional concept of purchasing property for getting settled will still create stable demand for the real estate market. We believe that, through effective cost planning and management, we will still be able to perform well and provide return for our investors in the face of adversity.

FINANCIAL REVIEW

Turnover: Turnover comprises of sales proceeds of properties delivered and property leasing income. The dramatic decrease in turnover for the year 2011 is owing to less gross floor area ("GFA") sold when compared with 2010. In 2011, we have delivered office units and shop of approximately 8,160m^2 GFA and residential units of approximately 6,340m^2 GFA, while we have delivered office units and shop of approximately 42,280m^2 GFA and residential units of approximately 44,190m^2 GFA in 2010. The selling price of office units and shop is much higher than that of residential units also resulted in the decrease in turnover.

Other net expenses: The increase in 2011 was mainly due to loss on disposal of investment properties of approximately RMB22,000,000 and no such expenses was recorded in 2010.

Other income: The increase in 2011 was mainly due to the reversal of over provision of accruals of approximately RMB9,847,000 and no such income was recorded in 2010.

Selling and distribution expenses: The decrease in 2011 was mainly due to the shrink of advertising and promotion expenses after the Hong Long Century Plaza has been delivered.

General and administrative expenses: The decrease in 2011 was mainly due to the disposal of subsidiaries as a result of integration of business.

Other operating expenses: The increase in 2011 was mainly due to the advisory for the Group re-organisation of approximately RMB9,500,000 and a compensation of approximately RMB44,800,000 for the cancellation of a property sales agreement.

Net (decrease)/increase in fair value of investment properties: The change in fair value was mainly due to the prevailing market conditions.

Impairment loss on inventories: The impairment represented (i) the difference between the recognised inventory costs in Chaohu Project and its fair value valued by an independent valuer and (ii) write down to net realisable value for underground car-parking spaces in Hong Long Century Plaza. No such impairment loss was recognised in 2010.

Net change in fair value of derivative financial instruments: In September 2007, the Company issued Senior Note with warrants. The change in fair value, as assessed by an independent valuer, has been recorded in the consolidated statement of comprehensive income. It is a non-cash item.

Gain on bargain purchase in respect of business combination: It was related to the gain on acquisition of a former subsidiary holding Dayawan Jade Hill project in 2010.

Gain on derecognition of available-for-sales financial assets: An available-for-sale financial asset has been derecognised in 2011 with a gain. However, no such item in 2010.

Gain on disposal of subsidiaries: During 2011, the Group disposed of various subsidiaries as a result of Group re-organisation. The gain in 2010 was related to the disposal of subsidiaries holding Huizhou Urban Upstream Landscape Villa project and the right to acquire certain office units in Tower A of Hong Long Century Plaza respectively.

Income tax: The tax credit was mainly due to the written back of deferred taxation liabilities as a result of the disposal of investment properties and the decrease in fair value of the remaining investment properties held by the Group in 2011.

SEGMENT ANALYSIS

In 2011, property development income and property leasing income accounted for approximately 88.92% (2010: 91.88%) and 11.08% (2010: 8.12%) respectively.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Bank and cash balances and pledged deposits as at 31 December 2011 amounted to approximately RMB50.13 million (31 December 2010: RMB102.22 million) which including RMB4.42 million, US$0.04 million, and HK$55.99 million.

The Group had total borrowings of approximately RMB1,312.96 million as at 31 December 2011 (31 December 2010: RMB1,935.43 million), of which RMB865.96 million was repayable within one year and the remaining RMB447.00 million was repayable more than one year but not exceeding two years. The Group's borrowings carried interest at fixed or floating interest rates. The Group's total borrowings divided by total assets as at 31 December 2011 was 38.60% (31 December 2010: 41.17%).

As at 31 December 2011, the Group had current assets of approximately RMB2,608.81 million (31 December 2010: RMB2,811.98 million) and current liabilities of approximately RMB2,199.37 million (31 December 2010: RMB1,523.93 million).

CHARGE ON ASSETS

As at 31 December 2011, bank and other borrowings of approximately RMB1,052.60 million were secured by certain investment properties, inventories, deposits for acquisition for land use right and pledged deposits of the Group of approximately RMB780.00 million, RMB654.32 million, RMB74.94 million and RMB0.86 million respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets, loans and transactions are principally denominated in Renminbi. All of the Group's borrowings are denominated in Renminbi. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposure as at 31 December 2011.

CONTINGENT LIABILITIES

For the details of contingent liabilities, please refer to the note 12.

TREASURY POLICIES AND CAPITAL STRUCTURE

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

EMPLOYEES

As at 31 December 2011, the Group had a staff force of approximately 65 employees. Of this, most were stationed in the PRC. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives (such as Share Option Scheme). Total staff costs incurred for the year 2011 was approximately RMB27.41 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year 2011 (2010: nil). A special dividend of HK$0.15 per ordinary share was declared on 5 February 2010 and was recognised as distribution on 31 March 2010.

BUSINESS REVIEW

The Group is principally engaged in the development of middle to high end residential and commercial properties as well as leasing of commercial properties in Guangdong, Liaoning and Anhui Provinces, the PRC.

During the year ended 31 December 2011, the Group has disposed of two investment properties, namely Shenzhen Baorun Decorative Material Mall and Shenzhen Gangrun Commercial Plaza. At 31 December 2011, the Group's total leasable GFA has been decreased from approximately 90,000m^2 to 64,000m^2.

Summary of development and status of existing projects are reported in the following paragraphs.

PROJECTS UNDER DEVELOPMENT

Shenzhen Zirui Garden: Zirui Garden is in the boarder land of Luohu district and Buji of Longgang district of Shenzhen, on the hillside of the east side of Qingping expressway and Fengyi mountain tunnel. Zirui Garden consists of premier villas, residential units and retail shops with planned GFA of approximately 135,000m^2. The project is under construction with pre-sale and delivery in phases scheduled for 2012 onwards.

Chaohu Vacation Water Town: Vacation Water Town is situated in Zhongmiao Town of Chaohu in Anhui Province. Vacation Water Town consists of lake-side villas and residential units with planned GFA of approximately 116,000m^2. The Group planned to commence pre-sale of the residential project in phases on the fourth quarter of 2012 onwards.

Shenyang Project: Shenyang Project includes Shengshi Yayuan and Shenyang Hong Long Century Business Square, situated in Shenyang Tiexi Industrial New City of Shenyang Economic and Technological Development Zone of Liaoning Province. Shengshi Yayuan consists of high-end residence with planned GFA of approximately 196,000m^2. Shenyang Hong Long Century Business Square consists of office building and five-star hotel with planned GFA of approximately 193,000m^2. Both of Shengshi Yayuan and Shenyang Hong Long Century Business Square are under construction. After the reporting period, the Group proposed to dispose of Shenyang Hong Long Century Business Square to an independent third party with a consideration of RMB82 million. Details of this disposal had been set out in the Company's announcement dated 6 January 2012.

DISPOSAL OF PROJECTS/ASSETS

The Group disposed of certain projects and assets in 2011 and subsequent to the reporting period. We considered these are good opportunities for us to realise these investments at reasonable prices. In addition, we will no longer be required to provide further resources for these investments, so that the Group may relocate its resources to other investments which may generate higher returns for the Group.

The Group disposed of the following projects/assets in 2011:

1) a wholly owned subsidiary which shall develop urban regeneration projects at Guangchang North Street, Yuanling District and two other sites in Shenzhen at a consideration of RMB20,800,000.

2) a wholly owned subsidiary which shall develop Yinghua project at a consideration of RMB28,000,000.

3) a 90% owned subsidiary which shall develop Dongguan Qiaotou project at a consideration of RMB4,000,000.

4) a wholly owned subsidiary which is developing Zhangjiakou Xiang Jiang City project at a consideration of HK$80,000,000.

5) a wholly owned subsidiary which is developing Meizhou Grace Garden project at a consideration of RMB8,000,000.

6) a wholly owned subsidiary which shall develop Huaxing Plaza project at a consideration of RMB6,000,000.

7) a wholly owned subsidiary which previously owned a project, Jade Hill City, at a consideration of RMB19,000,000.

8) a wholly owned subsidiary which operating property management, at a consideration of RMB720,000.

9) an investment property namely Shenzhen Baorun Decorative Material Mall at a consideration of RMB30,000,000.

10) an investment property, shop unit 201 of Shenzhen Gangrun Commercial Plaza at a consideration of RMB30,000,100.

11) the land to be developed for Bauhinia Garden project at a consideration of RMB4,550,000.

12) an office unit approximately 800m^2 at Shenzhen at a consideration of approximately RMB3,734,000.

Subsequent to the reporting period, the Group disposed of the following project:

1) a wholly owned subsidiary which is developing Xingning Ningjiang Uptown project at a consideration of HK$294,840,000.

Subsequent to the reporting period, the Group has entered agreements and proposed to dispose of the following projects/costs:

1) a wholly owned subsidiary which is developing Shanyang Hong Kong Century Business Square at a consideration of RMB82,000,000.

2) an investment property, namely Hong Long Plaza at a consideration of RMB780,000,000.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices, as amended from time to time (the "Code"), as stated in Appendix 14 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). As far as the Code is concerned, the Company complies with all aspects of the Code during the year ended 31 December 2011 and up to the date of the announcement save for certain deviation from the Code in respect of A.2.1 that Mr. Zhang Yijun, the ex-chief executive officer and an ex-executive director of the Company, has been re-designated as non-executive director of the Company since 31 January 2011. Since 1 November 2011, Mr. Qiu Bin has been appointed as chief executive officer of the Company, the CG Code Provision A.2.1 then has been complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had complied with the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules. After making inquiry of the Directors, the Company confirmed that the directors of the Company had complied with the provisions of the Model Code for Securities Transactions by Directors.

AUDIT COMMITTEE

The audit committee of the Company, comprising independent non-executive directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2011.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual results announcement for the current year was published on the website of the Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.hlkg.net). The annual report for the year ended 31 December 2011 of the Company containing all the information required by the Listing Rules will be published on above websites and despatch to the shareholders of the Company in due course.

By order of the Board
Sun Century Group Limited
Chau Cheok Wa
Chairman

Hong Kong, 30 March 2012

As at the date of this announcement, the executive Directors are Mr CHAU Cheok Wa, Mr ZENG Yunshu, Mr LEE Chi Shing Caesar, Ms YEUNG So Mui, Ms CHENG Mei Ching, Ms YEUNG So Lai and Mr LEUNG Ming Ho Vincent; and the independent non-executive Directors are Dr LI Jun, Mr CHEUNG Ngai Lam, Mr CHEUNG Kwok Yu and Mr LIU Man Wah.