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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)

2012 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board of directors (the “Directors” or “Board”) of Sun Century Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2012 together with the comparative figures as follows:

* *For identification purpose only*

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Turnover	3	18,161	181,448
Cost of sales		<u>(6,025)</u>	<u>(133,273)</u>
Gross profit		12,136	48,175
Other net income	4	15,311	8,456
Other income	5	2,246	5,645
Selling and distribution expenses		(1,249)	(7,537)
General and administrative expenses		(21,489)	(27,236)
Other operating expenses		<u>(62,575)</u>	<u>(11,693)</u>
(Loss)/ profit from operations		(55,620)	15,810
Net change in fair value of derivative financial instruments		–	12,652
Finance costs	6	(35,578)	(81,487)
Gain on derecognition of available-for-sale financial assets		–	33,306
Gain on disposal of subsidiaries		<u>16,948</u>	<u>82,594</u>
(Loss)/ profit before tax	8	(74,250)	62,875
Income tax	7	<u>–</u>	<u>(42,029)</u>
(Loss)/ profit and total comprehensive (expense)/income for the period		<u>(74,250)</u>	<u>20,846</u>
Attributable to:			
Owners of the Company		(74,250)	20,853
Non-controlling interests		<u>–</u>	<u>(7)</u>
		<u>(74,250)</u>	<u>20,846</u>
(Loss)/ earnings per share (RMB cents)	9		
Basic		(36.82)	16.94 (Adjusted)
		<u>(36.82)</u>	<u>16.94</u> (Adjusted)
Diluted		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	<i>Notes</i>	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		6,506	3,836
Investment properties		780,000	780,000
Deferred tax assets		8,924	8,924
		<u>795,430</u>	<u>792,760</u>
Current assets			
Inventories		1,275,105	1,273,475
Trade and other receivables	10	746,453	760,199
Consideration receivables		158,745	75,603
Trading securities		2,109	2,296
Pledged deposits		1,154	1,078
Bank and cash balances		39,792	49,049
		<u>2,223,358</u>	<u>2,161,700</u>
Subsidiaries group classified as held for sale – assets		–	447,108
Current liabilities			
Trade and other payables, and accruals	11	443,392	963,766
Receipts in advance		131,746	18,046
Rental and other deposits		36,484	11,768
Derivative financial liabilities		8	8
Bank and other borrowings		1,519,630	865,957
Current tax and liabilities		132,287	138,414
		<u>2,263,547</u>	<u>1,997,959</u>
Subsidiaries group classified as held for sale – liabilities		–	201,408
Net current (liabilities)/ assets		<u>(40,189)</u>	<u>409,441</u>
Total assets less current liabilities		<u>755,241</u>	<u>1,202,201</u>
Non-current liabilities			
Bank and other borrowings		–	447,000
Deferred tax liabilities		98,091	98,091
		<u>98,091</u>	<u>545,091</u>
NET ASSETS		<u>657,150</u>	<u>657,110</u>
Capital and reserves			
Share capital		18,949	11,971
Reserves		638,201	645,139
TOTAL EQUITY		<u>657,150</u>	<u>657,110</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Retained profits/ losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011 (audited)	11,971	765,604	24,227	49,373	17,694	906,362	1,775,231	995	1,776,226
Profit and total comprehensive income for the period	-	-	-	-	-	20,853	20,853	(7)	20,846
Disposal of subsidiaries	-	-	-	-	-	-	-	(988)	(988)
Change in equity for the period	-	-	-	-	-	20,853	20,853	(995)	19,858
At 30 June 2011 (unaudited)	<u>11,971</u>	<u>765,604</u>	<u>24,227</u>	<u>49,373</u>	<u>17,694</u>	<u>927,215</u>	<u>1,796,084</u>	<u>-</u>	<u>1,796,084</u>
At 1 January 2012 (audited)	11,971	765,604	24,227	49,373	17,694	(211,759)	657,110	-	657,110
Loss and total comprehensive expense for the period	-	-	-	-	-	(74,250)	(74,250)	-	(74,250)
Issue of shares, net of issuance cost	6,978	67,312	-	-	-	-	74,290	-	74,290
Share option cancelled	-	-	-	-	(5,434)	5,434	-	-	-
Change in equity for the period	6,978	67,312	-	-	(5,434)	(68,816)	40	-	40
At 30 June 2012 (unaudited)	<u>18,949</u>	<u>832,916</u>	<u>24,227</u>	<u>49,373</u>	<u>12,260</u>	<u>(280,575)</u>	<u>657,150</u>	<u>-</u>	<u>657,150</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash (used in)/ generated from operating activities	(500,895)	392,505
Net cash generated from investing activities	293,114	116,740
Net cash generated from/ (used in) financing activities	198,524	(495,106)
	<hr/>	<hr/>
Net (decrease)/ increase in cash and cash equivalents	(9,257)	14,139
Cash and cash equivalents at beginning of period	49,049	92,787
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>39,792</u>	<u>106,926</u>
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Bank and cash balances	<u>39,792</u>	<u>106,926</u>

NOTES

1. BASIS OF PREPARATION

These condensed financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). It was authorised for issue on 31 August 2012.

In order to improve the Group’s financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Directors have taken the following measures:

- (1) The Group proposed to an open offer to the shareholders of the Company for net proceeds of approximately HK\$240,000,000.
- (2) The Group has marketing plan to presales Shenzhen Zirui project in phase for December 2012.

The Directors consider that after taking into account the above measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

These condensed financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

These condensed financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial instruments classified as trading securities and derivative financial instruments which are carried at their fair values.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. 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 period 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 an assessment of the 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.

3. SEGMENT INFORMATION

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2012 (unaudited)			
Revenue from external customers	–	18,161	18,161
Segment (loss)/profit	(45,275)	11,305	(33,970)
Other information:			
Depreciation	(712)	(264)	(976)
Gain on disposal of subsidiaries	16,948	–	16,948
Impairment losses on other receivables and loans and advance	(62,501)	–	(62,501)
Expenses overcharged in last year	14,854	–	14,854
At 30 June 2012 (unaudited)			
Segment assets	<u>2,190,103</u>	<u>818,991</u>	<u>3,009,094</u>
Six months ended 30 June 2011 (unaudited)			
Revenue from external customers	147,796	33,652	181,448
Segment profit	136,181	23,956	160,137
Other information:			
Gain on derecognition of available-for-sale financial assets	33,306	–	33,306
Gain on disposal of subsidiaries	80,800	1,794	82,594
Waiver of other payable	3,600	–	3,600
At 31 December 2011 (audited)			
Segment assets	<u>2,583,111</u>	<u>1,692,932</u>	<u>4,276,043</u>

Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(unaudited)
Total (loss)/profit of reportable segments	(33,970)	160,137
Other income and other net income	481	10,501
Depreciation and amortisation	(1)	(13)
Corporate finance costs	(35,578)	(81,487)
Net change in fair value of derivative financial instruments	–	12,652
Other corporate expenses	<u>(5,182)</u>	<u>(38,915)</u>
Consolidated (loss)/profit before tax	<u>(74,250)</u>	<u>62,875</u>

4. OTHER NET INCOME

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(unaudited)
Expenses overcharged in last year	14,854	–
Gain on disposal of property, plant and equipment	–	926
Net fair value gains/(losses) on trading securities	220	(209)
Net exchange gains/(losses)	410	(178)
Waiver of other borrowings	–	4,317
Waiver of other payables	–	3,600
Others	(173)	–
	<u>15,311</u>	<u>8,456</u>

5. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(unaudited)
Interest income	1,484	1,472
Others	762	4,173
	<u>2,246</u>	<u>5,645</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(unaudited)
Interest on bank and other borrowings wholly repayable within five years	85,439	100,130
Less: Amount capitalised	(49,861)	(18,643)
	<u>35,578</u>	<u>81,487</u>

7. INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(unaudited)
Current tax		
PRC Corporate Income Tax	–	30,095
Land Appreciation Tax (“LAT”)	–	11,553
	<u>–</u>	<u>41,648</u>
Deferred tax		
Origination and reversal of temporary differences	–	773
Effect of changes in tax rate on opening deferred tax balances	–	(392)
	<u>–</u>	<u>381</u>
	<u>–</u>	<u>42,029</u>

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. No Hong Kong Profits Tax has been provided for as the Group does not have estimated assessable profits in Hong Kong.

The provision for the PRC Corporate Income Tax is based on a statutory rate of 25% of the taxable profits determined in accordance with the relevant income tax rules and regulations in the PRC for the six months ended 30 June 2012 and 2011 respectively.

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.

8. (LOSS)/PROFIT FOR BEFORE TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
(Loss)/profit before tax has been arrived at after charging the followings:		
Depreciation	1,332	1,639
Less: Amount capitalised	(355)	(14)
	<u>977</u>	<u>1,625</u>
Directors’ remuneration	763	2,896
Impairment loss on other receivables	62,501	100
Impairment loss on prepaid land costs	–	294
	<u>–</u>	<u>294</u>

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately RMB74,250,000 (2011: profit of RMB20,853,000) and the weighted average number of ordinary shares of 201,642,952 (2011: 123,067,100) in issue during the six months period.

(b) Diluted (loss)/earnings per share

The Company's outstanding share options and warrants had no dilutive effect on (loss)/earnings upon deemed exercise during the six months ended 30 June 2012 and 2011 as the exercise price of the share option and warrants were higher than the average market price for shares.

10. TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (audited)
0 to 3 months	542	11,670
More than 6 months but less than 1 year	11,400	–
More than 1 year	–	80
	<hr/>	<hr/>
Trade receivables	11,942	11,750
Other receivables	3,105	2,127
Loans and advances	31,298	33,280
Prepaid land costs	82,342	74,494
Prepayments and deposits	617,766	638,548
	<hr/>	<hr/>
	746,453	760,199
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES, AND ACCRUALS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (audited)
Trade payables, falling due within 0-3 months	64,479	109,644
Amounts due to directors	–	440
Other creditors and accrued charges	378,913	853,682
	<hr/>	<hr/>
	443,392	963,766
	<hr/> <hr/>	<hr/> <hr/>

12. CONTINGENT LIABILITIES

- (a) At 30 June 2012, 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:

	30 June 2012	31 December 2011
	RMB'000	RMB'000
	(Unaudited)	(audited)
Guarantees given to banks for mortgage facilities granted to purchasers	<u> -</u>	<u> 30,462</u>

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 30 June 2012, 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 financial statements.

- (b) At 30 June 2012, the Group provided guarantees to certain banks and financial institutions to the extent of RMB981,000,000 (31 December 2011: RMB1,131,000,000) in respect of loan facilities granted to certain subsidiaries which had been disposed of during the year ended 31 December 2010. The maximum liability of the Group, at 30 June 2012, under the guarantees was the total facilities utilised by the disposed subsidiaries as at the same date which amounted to approximately RMB503,000,000 (31 December 2011: 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 30 June 2012, 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 a disposed subsidiary.

The fair value of the guarantees at date of inception is not material and is not recognised in the 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 30 June 2012, 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 2013 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 financial statements.

- (d) At 30 June 2012, the Group has been in litigation in relation to various claims totally RMB455,251,000, in which RMB440,600,000 due to Shenzhen Branch of China Construction Bank has already been accrued. Based on the legal advice obtained, the Directors believe that the Group has reasonable good chances of successfully defending those claims. Hence no further provision has been made in the financial statements.

13. CHANGE OF COMPANY NAME

In order to provide the Company with a fresh and new corporate image and identity, on 1 February 2012, the shareholders of the Company at the extraordinary general meeting approved the change of the Company's name to "Sun Century Group Limited" and the adoption of "太陽世紀集團有限公司" as the Chinese name of the Company for identification purpose only. The new name and new Chinese name of the Company are effective commencing from 1 February 2012.

14. EVENTS AFTER THE REPORTING PERIOD

- (a) On 19 July 2012, the Group entered into a non-legally binding Agreement of Intent with an independent third party in relation to the possible acquisition of the entire equity interest in Anhui Longsheng Property Development Company Limited, a limited liability company established in the PRC which owns the Project in Huangshan City of Anhui Province. The consideration for the possible acquisition will be negotiated between the parties based on the results of the due diligence investigations by the Group.
- (b) On 6 June 2012, Shenzhen Branch of Shanghai Pudong Development Bank Company Limited (the "Bank") has filed a writ of civil proceedings (the "Writ") with Shenzhen Intermediate People's Court against Meizhou Mediterranean Sea Hotel Company Limited as borrower (the "Borrower"), the second defendant as chargor (the "Chargor") and other five defendants as guarantors (including Shenzhen Zirui Real Estate Development Limited ("Shenzhen Zirui") and Sun Century Property Group Company Limited ("Sun Century Property") as guarantor). Shenzhen Zirui and Sun Century Property are both indirect wholly-owned subsidiaries of the Company. The Writ was received by the Company on 6 August 2012. Pursuant to the Writ, the following orders are being sought by the Bank:
- i. the entrusted loan agreement executed among the Bank, the Borrower and a third party shall be declared legal and valid and the Borrower shall repay the Bank the principal of the loan in the amount of RMB120 million and the relevant interest and penalty interest (as at 6 June 2012, the outstanding interest is approximately RMB16,237,000);
 - ii. the Bank shall enjoy the rights under the charge over a parcel of land in Meijiang District, Meizhou city created by the Chargor. The Bank shall have the right to apply such charged property to settle the outstanding loan. After the disposal of the charged property by the Bank, if the charged property is insufficient to settle the outstanding loan, the Chargor shall assume the joint liability for the repayment of the unsettled loan to the Bank;
 - iii. based on the loan guarantee undertakings, Shenzhen Zirui, Sun Century Property and other three defendants shall assume the joint liability for the repayment of the loan to the Bank; and
 - iv. all the defendants shall be jointly liable for the costs of the proceedings.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover: Turnover comprises of sales proceeds of properties delivered and property leasing income. The dramatic decrease in turnover for the first half of 2012 is owing to (i) no stock properties have been delivered in the first half of 2012, while we have delivered office units of about 4,569m² gross floor area (“GFA”) and residential units of 969m² GFA for Hong Long Century Plaza and residential units of 823m² GFA for Grace Garden in the first half of 2011; (ii) The decrease in income from property leasing in the first half of 2012 was due to the disposal of two investment properties in Shenzhen in the second half of 2011.

Selling and distribution expenses: The decrease in the first half 2012 was mainly due to the advertising and promotion cost and the staff cost for the sales person reduced after the Hong Long Century Plaza has been delivered.

General and administrative expenses: The decrease was mainly due to the staff cost reduced as a result of staff force reduced after when business integration in 2011.

Other operating expenses: The increase in the first half of 2012 was mainly due to the impairment losses on other receivables of RMB62,501,000.

Finance costs: The decrease was mainly due to the shift of high interest rate borrowings to lower interest rate borrowings.

Gain on disposal of subsidiaries: During the first half 2012, the Group completed the disposal of various subsidiaries and recorded a gain as a result of Group re-organisation in 2011.

Income tax: No income tax has been accrued in the first half of 2012 as there were no assessable profits in the Group companies.

SEGMENT ANALYSIS

In the first half of 2012, all of the turnover was generated from property leasing business (in the first half of 2011: property development income and property leasing income accounted for 81.45% and 18.55% of total turnover respectively).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Bank and cash balance and pledged deposits as at 30 June 2012 amounted to approximately RMB40.95 million (31 December 2011: RMB50.13 million), which including RMB34.10 million, US\$0.01 million and HK\$7.06 million.

The Group had total interest-bearing borrowings of approximately RMB1,519.63 million as at 30 June 2012 (31 December 2011: RMB1,312.96 million). All the borrowings were

repayable within one year. The Group's borrowings carried interest at fixed or floating interest rates. The Group's total bank and other borrowings divided by total assets as at 30 June 2012 was 50.34% (31 December 2011: 38.60%).

As at 30 June 2012, the Group had total current assets of approximately RMB2,223.36 million (31 December 2011: RMB2,608.81 million) and total current liabilities of approximately RMB2,263.55 million (31 December 2011: RMB2,199.37 million).

CHARGE ON ASSETS

As at 30 June 2012, bank and other borrowings of approximately RMB1,252.60 million were secured by certain investment properties, inventories, prepaid land cost and pledged deposits of the Group of approximately RMB780 million, RMB778.21 million, RMB82.34 million and RMB0.87 million respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets, loans and transactions are principally denominated in RMB. Except for a borrowing of HK\$237 million, all of the Group's borrowings are denominated in RMB. 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 30 June 2012.

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 30 June 2012, 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 first half of 2012 was approximately RMB5.24 million (2011: RMB14.01 million).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: nil).

USE OF PROCEEDS FROM THE OPEN OFFER

The Company raised its fund by way of an open offer to issue 615,335,692 offer shares at a price of HK\$0.10 on 3 January 2012. Net proceeds from the issuance of offer shares pursuant to the Company's initial public offering amounted to approximately HK\$61 million (after deducting the commissions and costs and expenses in relation to the open offer). Such net proceeds have been used in the following manner:

	Amount raised (HK\$ million)	Amount used as at the date of this announcement (HK\$ million)
General corporate and working capital purpose	<u>61</u>	<u>61</u>
	<u><u>61</u></u>	<u><u>61</u></u>

USE OF PROCEEDS FROM THE ISSUANCE OF CONVERTIBLE NOTE

The Company entered into an agreement to issue a convertible note with principal amount of HK\$30,000,000 on 20 January 2012 and initial conversion price is HK\$0.1228. Net proceeds from the issuance of convertible note amounted to approximately HK\$29 million (after deducting the costs and expenses in relation to the issuance of convertible note). Such net proceeds have been used in the following manner:

	Amount raised (HK\$ million)	Amount used as at the date of this announcement (HK\$ million)
General corporate and working capital purpose	<u>29</u>	<u>29</u>
	<u><u>29</u></u>	<u><u>29</u></u>

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.

In the first half of 2012, the Group completed to dispose two property development projects, namely Xingning Ningjiang Uptown project and Shenyang Hong Long Century Business Square at a consideration of HK\$294,840,000 and RMB82,000,000 respectively. At 30 June 2012, the Group's total leasable GFA is approximately 64,000m² (31 December 2011: 64,000m²).

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 135,000m². The project is under construction with pre-sale and delivery in phases scheduled for December 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 116,000m². The Group planned to commence pre-sale of the residential project in phases on the fourth quarter of 2013 onwards.

Shenyang Shengshi Yayuan: Shengshi Yayuan 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 196,000m². Shengshi Yayuan is under construction.

Disposal of projects

The Group completed to dispose certain projects in the first half of 2012. 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 the following projects/assets in the first half of 2012:

- (1) a wholly owned subsidiary which is developing Xingning Ningjiang Uptown project at a consideration of HK\$294,840,000.
- (2) a wholly owned subsidiary which is developing Shenyang Hong Long Century Business Square at a consideration of RMB82,000,000.

Future Development

On 19 July 2012, the Group entered into a non-legally binding Agreement of Intent with an independent third party in relation to the possible acquisition of the entire equity interest in Anhui Longsheng Property Development Company Limited, a limited liability company established in the PRC which owns a property development project in Huangshan City of Anhui Province. The consideration for the possible acquisition will be negotiated between the parties based on the results of the due diligence investigations of the Company.

REVIEW AND OUTLOOK

As the European economy continued to be weakened and the globalisation of market economy, China's economic development has been affected to some extent. Comparing with last year, the GDP annual growth target had been tuned down from 9.2% to 7.5%. To maintain steady economic growth momentum in the PRC is the PRC government's priority, China's central bank lowered the reserve requirement ratio and cut the benchmark interest rates two times, and it was the first time to cut the interest rate by 0.25% in June 2012 since 2009, and it is believed that more fiscal stimuli initiatives would be launched.

Property development is a capital intensive industry and it is highly affected by any monetary policy decision. With the implementation of macroscopic policy restrictions in property purchase, selling price and mortgage financing in the last two years, the property potential buyer has shifted from speculative investor to real end-users. With the effect of the favorable policies on the property market, such as the central government's reserve ratio and benchmark interest rate cut, it is believed that the PRC property development market will remain its growth momentum.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

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 Listing Rules. As far as the Code is concerned, the Company complies with all aspects of the Code during the six months ended 30 June 2012 and up to the date of the announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed financial statements for the six months ended 30 June 2012.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time (the “Model Code”), set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of the directors of the Company. On specific enquiries made, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2012.

Employees who are likely to be in possession of unpublished price sensitive information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

By order of the Board
SUN CENTURY GROUP LIMITED
Chau Cheok Wa
Chairman

Hong Kong, 31 August 2012

As at the date of this announcement, the executive Directors are Mr. CHAU Cheok Wa, Ms. YEUNG So Mui, Ms. CHENG Mei Ching, Ms. YEUNG So Lai and Mr. QIU Bin; and the independent non-executive Directors are Mr. TOU Kin Chuen and Dr. WU Kam Fun Roderick.