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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)

FOR THE SIX MONTHS ENDED 30 JUNE 2014 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) 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 2014 together with the comparative figures as follows:

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the Six Months Ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Turnover	3	25,822	195,413
Cost of sales		<u>(1,229)</u>	<u>(124,291)</u>
Gross profit		24,593	71,122
Other net income/(expenses)	4	3,485	(6,561)
Selling and distribution expenses		(11,999)	(67,403)
General and administrative expenses		(44,523)	(33,916)
Other operating expenses		(151,164)	(16,606)
Net increase in fair value of investment properties		243,000	43,000
Impairment loss on inventories		<u>–</u>	<u>(17,000)</u>
Profit/(Loss) from operations		63,392	(27,364)
Finance costs	5	<u>(110,488)</u>	<u>(63,089)</u>
Loss before tax	6	(47,096)	(90,543)
Income tax	7	<u>(62,807)</u>	<u>(38,370)</u>
Loss and total comprehensive expense for the period		<u>(109,903)</u>	<u>(128,823)</u>
Attributable to:			
Owners of the Company		(109,754)	(128,823)
Non-controlling interests		<u>(149)</u>	<u>–</u>
		<u>(109,903)</u>	<u>(128,823)</u>
Loss per share (RMB cents)	8		
Basic		<u>(7.48)</u>	<u>(8.80)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2014

	<i>Note</i>	30 June 2014 <i>RMB'000</i> (unaudited)	31 December 2013 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		6,450	5,909
Investments properties		1,373,000	1,130,000
Deferred tax assets		9,262	9,262
		1,388,712	1,145,171
Current assets			
Inventories		1,978,735	1,885,454
Trade and other receivables	9	624,727	625,136
Trading securities		1,905	2,037
Pledged deposits		58,493	314,377
Bank and cash balances		11,613	17,174
		2,675,473	2,814,178
Current liabilities			
Trade and other payables, and accruals	10	555,071	538,483
Receipts in advance		887,066	721,608
Rental and other deposits		9,393	8,780
Bank and other borrowings – due within one year		1,849,105	1,863,299
Current tax liabilities		28,329	31,432
		3,328,964	3,163,602
Net current liabilities		(653,491)	(349,424)
Total assets less current liabilities		735,221	795,747
Non-current liabilities			
Bank and other borrowings – due after one year		130,000	145,000
Deferred tax liabilities		255,473	192,666
		385,473	337,666
Net assets		349,748	458,081
Capital and reserves			
Share capital		120,945	120,551
Reserves		228,803	337,530
TOTAL EQUITY		349,748	458,081

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Six Months Ended 30 June 2014

	Attributable to owner of the Company								Non - controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Statutory reserve	Capital reserve	(Accumulated loss)/Retained profits	Total	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
At 1 January 2013 (audited)	18,949	832,916	24,227	49,373	11,322	(166,067)	770,720	-	770,720	
Loss and total comprehensive expense for the period	-	-	-	-	-	(128,823)	(128,823)	-	(128,823)	
Issue of shares	<u>101,602</u>	<u>152,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,914</u>	<u>-</u>	<u>253,914</u>	
Change in equity for the period	<u>101,602</u>	<u>152,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128,823)</u>	<u>125,091</u>	<u>-</u>	<u>125,091</u>	
At 30 June 2013 (unaudited)	<u>120,551</u>	<u>985,228</u>	<u>24,227</u>	<u>49,373</u>	<u>11,322</u>	<u>(294,890)</u>	<u>895,811</u>	<u>-</u>	<u>895,811</u>	
At 1 January 2014 (audited)	120,551	985,228	24,227	49,373	23,282	(744,580)	458,081	-	458,081	
Loss and total comprehensive expense for the period	-	-	-	-	-	(109,754)	(109,754)	(149)	(109,903)	
Issue of shares	<u>394</u>	<u>1,635</u>	<u>-</u>	<u>-</u>	<u>(459)</u>	<u>-</u>	<u>1,570</u>	<u>-</u>	<u>1,570</u>	
Change in equity for the period	<u>394</u>	<u>1,635</u>	<u>-</u>	<u>-</u>	<u>(459)</u>	<u>(109,754)</u>	<u>(108,184)</u>	<u>(149)</u>	<u>(108,333)</u>	
At 30 June 2014 (unaudited)	<u>120,945</u>	<u>986,863</u>	<u>24,227</u>	<u>49,373</u>	<u>22,823</u>	<u>(854,334)</u>	<u>349,897</u>	<u>(149)</u>	<u>349,748</u>	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the Six Months Ended 30 June 2014*

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	176,550	(632,224)
Net cash generated from/(used in) investing activities	3,156	(103)
Net cash (used in)/generated from financing activities	(185,267)	643,597
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(5,561)	11,270
Cash and cash equivalents at beginning of period	17,174	14,068
	<hr/>	<hr/>
Cash and cash equivalents at end of period	11,613	25,338
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Bank and cash balances	11,613	25,338
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NOTES

1. BASIS OF PREPARATION

These condensed financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed financial statements should be read in conjunction with the 2013 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 2013.

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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; HKAS; 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

The following is an analysis of the Group's revenue and results by reportable segments:

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2014 (unaudited)			
Revenue from external customers	–	25,822	25,822
Segment (loss)/profit	(187,143)	258,106	70,963
Other information:			
Loss on disposal of property, plant and equipment	(8)	–	(8)
Depreciation	(663)	(367)	(1,030)
Impairment loss on trade and other receivables	(150,000)	–	(150,000)
Net increase in fair value of investment properties	–	243,000	243,000
	<u>–</u>	<u>243,000</u>	<u>243,000</u>
Six months ended 30 June 2013 (unaudited)			
Revenue from external customers	168,061	27,352	195,413
Segment (loss)/profit	(71,972)	60,288	(11,684)
Other information:			
Gain/(Loss) on disposal of property, plant and equipment	608	(13)	595
Depreciation	(767)	(412)	(1,179)
Reversal of impairment loss on trade and other receivables	1,658	–	1,658
Net increase in fair value of investment properties	–	43,000	43,000
Impairment loss on inventories	(17,000)	–	(17,000)
	<u>(17,000)</u>	<u>–</u>	<u>(17,000)</u>

Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Total profit/(loss) of reportable segments	70,963	(11,684)
Other net income/(expenses)	4,462	(8,209)
Depreciation and amortisation	(145)	(73)
Corporate finance costs	(110,488)	(63,089)
Other corporate expenses	(11,888)	(7,398)
	<u>(47,096)</u>	<u>(90,453)</u>
Consolidated loss before tax	(47,096)	(90,453)

4. OTHER NET INCOME/(EXPENSES)

	Six months ended 30 June	
	2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
Gain on disposal of property, plant and equipment	–	595
Interest income	4,962	75
Net fair value gains/(losses) on trading securities	(132)	(261)
Net exchange gains/(losses)	607	(7,990)
Reversal of impairment loss in respect of trade and other receivables	–	1,658
Others	(1,952)	(638)
	<u>3,485</u>	<u>(6,561)</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
Interest on bank and other borrowings		
– wholly repayable within five years	149,602	112,490
– not wholly repayable with five years	8,041	–
Less: Amount capitalised	(47,155)	(49,401)
	<u>110,488</u>	<u>63,089</u>

6. LOSS BEFORE TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Loss before tax has been arrived at after charging/(crediting) the followings:		
Depreciation	1,257	1,326
Less: Amount capitalised	<u>(82)</u>	<u>(74)</u>
	1,175	1,252
Directors' remuneration	1,597	1,721
Impairment loss on trade and other receivables	150,000	–
Net increase in fair value of investment properties	(243,000)	(43,000)
Impairment loss on inventories	<u>–</u>	<u>17,000</u>

7. INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Land Appreciation Tax ("LAT")	<u>–</u>	<u>31,577</u>
Deferred tax		
Origination and reversal of temporary differences	<u>62,807</u>	<u>6,793</u>
	<u>62,807</u>	<u>38,370</u>

Pursuant to the rules and regulations of the Cayman Islands and the 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 2014.

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 PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately RMB109,903,000 (2013: loss of RMB128,823,000) and the weighted average number of ordinary shares of 1,468,048,970 (2013: 1,263,214,725) in issue during the six months period.

(b) Diluted loss per share

The Company's outstanding share options and warrants had no dilutive effect on loss per share upon deemed exercise during the six months ended 30 June 2014 and 2013 as the exercise price of the share option and warrants were higher than the average market price for share.

9. TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 3 months	<u>1,424</u>	<u>553</u>
Trade receivables	1,424	553
Other receivables	9,165	6,618
Loans and advances	88,332	30,820
Prepaid land costs	150,100	80,870
Prepayments and deposits	<u>375,706</u>	<u>506,275</u>
	<u>624,727</u>	<u>625,136</u>

The above receivables relate to a number of independent purchasers and tenants. In respect of the trade receivables arose from sale of properties, the Directors consider that these receivables would be recovered and no allowance was made against these past due receivables. Regarding the rental receivables, rental deposits were held as collateral over the balances. As such, the Directors consider that no allowance for impairment is necessary in respect of these balances.

10. TRADE AND OTHER PAYABLES, AND ACCRUALS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 3 months	<u>57,172</u>	<u>46,313</u>
Trade payables	57,172	46,313
Other creditors and accrued charges	<u>497,899</u>	<u>492,170</u>
	<u>555,071</u>	<u>538,483</u>

11. CONTINGENT LIABILITIES

- (a) At 30 June 2014, 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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Guarantees given to banks for mortgage facilities granted to purchasers	<u>2,530,000</u>	<u>2,530,000</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 2014, 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 2014, the Group provided guarantees to certain banks and financial institutions to the extent of RMB581,000,000 (31 December 2013: RMB581,000,000) 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 31 December 2010, 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 2013: RMB503,000,000). 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 2014, 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 entire 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 2014, 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 interim result 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 2015 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 2014, the Group has been in litigation in relation to various claims in the aggregate amount of approximately RMB120,000,000. 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.

12. OTHER MATTERS

On 21 December 2009, the Company entered into a credit note with CCB International Asset Management Limited (“CCB”) under which CCB agreed to make available to the Company an offshore financing in the amount of US\$40,000,000 (the “Credit Note”). Grand Prosperity Limited (“Grand Prosperity”), the then majority shareholder of the Company, was acting as the corporate guarantor in favour of CCB under the Credit Note.

Under the Credit Note, the Company agreed to pay CCB an upfront fee of HK\$76,000,000, which was settled by issue and allotment of 80,000,000 consideration shares by the Company at the issue price of HK\$0.95 per share.

Under the Credit Note, Grand Prosperity has granted a put option to CCB. On exercise of the put option, the price payable by Grand Prosperity for the purchase of each consideration share would be HK\$1.50 per share, being the aggregate of HK\$120,000,000.

On 20 November 2012, the Company received a letter (the “Letter”) from the solicitors acting on behalf of CCB (“CCB Solicitors”) alleging and claiming that:

- (i) as a result of the exercise of the put option by CCB, Grand Prosperity was required under the Credit Note to pay CCB the aggregate exercise price of the option shares of HK\$120,000,000;
- (ii) CCB has received from Grand Prosperity only partial payment in the sum of HK\$35,000,000, leaving the outstanding balance of HK\$85,000,000 which remains due and payable;
- (iii) pursuant to the terms of the Credit Note, the Company is required to indemnify CCB against any cost, loss or liability incurred by CCB as a result of, respectively, an event of default, and the failure by Grand Prosperity (being an obligor) to pay any amount due under a finance document as defined under the Credit Note on its due date; and
- (iv) pursuant to the terms of the Credit Note, an event of default includes the non-payment by an obligor of any amount payable pursuant to a finance document as defined under the Credit Note.

Under the Letter, CCB’s Solicitors demanded payment from the Company (by way of indemnity) of (i) the unpaid sum of HK\$85,000,000, together with (ii) default interest at the rate of ten per cent per annum from 13 January 2012, the original completion date of the alleged exercise of the put option, until the date of payment and (iii) all costs and expenses (including legal fees) incurred by them in recovering payment.

On 8 February 2013, the Company received a writ of summons issued out of the court with respect to the dispute between CCB as the plaintiff with the Company as one of the defendants. For the avoidance of doubt, Grand Prosperity, Mr. Zeng Yunshu, being a director of Grand Prosperity and the then chairman and president of the Company and Mr. Zeng Sheng, being a director of Grand Prosperity and the then vice-chairman of the Company, have been joined as the other defendants.

Based on counsel opinion, the Directors are of the view that the claims are not valid.

No judgment on the legal proceedings has been made yet and the financial impact of the legal proceedings cannot be ascertained at the date of this interim result announcement. Hence, no provision has been made in the consolidated financial statements.

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 2014 is owing to no stock properties have been delivered in the first half of 2014, while we have delivered office units of approximately 767m², shops of approximately 5,772m² and residential units of approximately 358m² in the first half of 2013.

Other net income/(expenses): The other net income in the first half of 2014 was mainly attributable to the interest income of approximately RMB4,962,000.

Selling and distribution expenses: The decrease was mainly due to the decrease in sales commission paid. In the first half of 2013, there was a commission of approximately RMB50,934,000 paid for project of Hong Long Century Plaza.

General and administrative expenses: The increase was mainly due to the increase in the professional charges and the staff cost.

Other operating expenses: The increase was mainly due to the impairment loss recognised in respect of trade and other receivables of approximately RMB150,000,000 in the first half of 2014 while there was none in 2013.

Net increase in fair value of investment properties: The net increase in fair value is mainly due to the prevailing market condition.

Finance costs: The increase in the first half of 2014 was mainly due to the average monthly borrowing higher than the corresponding period of last year.

Income tax: No current income tax has been provided in the first half of 2014 as there were no assessable profit in the Group companies. The income tax provided for the first of 2014 was mainly due the deferred tax expenses originated from the timing difference of the depreciation of property, plant and equipment and the increase in fair value of the investment properties.

Segment Analysis

In the first half of 2014, all turnover are derived from property leasing (in the first half of 2013: property development income 86.00% and property leasing income 14.00%).

Liquidity, Financial Resources and Gearing

Bank and cash balances and pledged deposits as at 30 June 2014 amounted to approximately RMB70.11 million (31 December 2013: RMB331.55 million), which including RMB65.52 million, US\$0.01 million and HK\$2.74 million.

The Group had total interest-bearing borrowings of approximately RMB1,979.11 million as at 30 June 2014 (31 December 2013: RMB2,008.30 million). RMB1,849.11 million were repayable on demand or within one year, RMB15.00 million were repayable on more than one year but not exceeding two years; RMB45.00 million were repayable on more than two years but not exceeding five years, and the remaining RMB70.00 million were repayable over five years. 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 2014 was 48.70% (31 December 2013: 50.72%).

As at 30 June 2014, the Group had current assets of approximately RMB2,675.47 million (31 December 2013: RMB2,814.18 million) and current liabilities of approximately RMB3,328.96 million (31 December 2013: RMB3,163.60 million).

Charge on Assets

As at 30 June 2014, bank and other borrowings of approximately RMB394.90 million were secured by certain investment properties, and pledged deposits of the Group of approximately RMB1,373.00 million and RMB54.66 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\$1,227.87 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 2014.

Contingent Liabilities

For the details of contingent liabilities, please refer to the note 15 to the condensed consolidated financial statements.

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 2014, the Group had a staff force of approximately 350 (2013: 300) employees. Of this, most were stationed in the People's Republic of China (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 2014 was approximately RMB21.12 million (in the first half of 2013: RMB15.64 million).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: nil).

Use of Proceeds from the Open Offer

On 5 September 2013, the Company proposed to raise not less than approximately HK\$313 million before expenses and the set-off with the shareholder's loan by issuing not less than 1,254,184,050 offer shares and not more than 1,320,181,518 offer shares at the subscription price of HK\$0.25 per offer share on the basis of six offer shares for every one share of the Company on the record date (27 December 2013). The open offer has been completed on 9 January 2014 and the net proceeds from the open offer amounted to approximately HK\$244 million (after deducting the cost and expenses in relation to the open offer and the set-off with the shareholder's loan). Details of the open offer please refer to the announcement dated 5 September 2013 and the circular dated 16 November 2013. Such net proceeds have been used in the following manner:

	Amount used as at the date of this Amount raised announcement	(HK\$ million)	(HK\$ million)
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The deposits for the acquisition of the entire equity interest in
Anhui Longsheng Property Development Company Limited
("Anhui Longsheng")

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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.

At 30 June 2014, the Group's total leasable gross floor area ("GFA") is approximately 64,000m².

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

Projects under development

Le Paysage: Le Paysage is in the boarder land of Luohu district and Longgang district of Shenzhen, on the hillside of the east side of Qingping expressway and Fengyi mountain tunnel. Le Paysage consists of premier villas, residential units and retail shops with planned GFA of approximately 135,000m². In March 2013, the Group launched pre-sales part of Le Paysage and was well received by the market. The project is completed and to deliver in phases in the third quarter of 2014 onwards.

The Landale: The Landale formerly known as Vacation Water Town, and is situated in Zhongmiao Town of Chaohu in Anhui Province. The Landale consists of lake-side villas and residential units with planned GFA of approximately 116,000m². To cope with the rectification, integration and development of Chaohu Scenic Area, the Group planned to delay the development progress of The Landale and commence pre-sale of the project in phases on 2015 onwards.

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. The development of Shengshi Yayuan has been suspended and now in the negotiation with local government bureau for the future development.

Fushun Project: The Group acquired a land at Hua Mao Jie Dong, Fushun Economic Development Zone in Liaoning Province, the PRC. The site area of the land is approximately of 72,350m² with a plot ratio of more than 1 but less than 2.7 and the planned GFA of approximately of 195,345m². The land use of the land is for commercial and residential use. The project is still in the initial design and planning stage.

Future Development

On 19 July 2013, 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, a limited liability company established in the PRC which owns a 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

In the first half of 2014, China's real estate industry is still trapped in a correction period. The problems arising from difficulties in financing, delay in completion of construction work, and overstocking are continuing harassed the industries and the imbalance of supply and demand in some regions has become more evident. Because of the uncertain expectation to the real estate market, the buyer generally holding a wait and see attitude, resulting the market's transaction level fell when compared with the same period of the last correspondence year.

No revenue is recorded for property development segment in the first half of 2014. It was mainly due to the issue of realty title certificate of Le Paysage behind the schedule and failed to deliver the Le Paysage to buyers before the end of 30 June 2014. The amount received from buyers of approximately RMB860.35 million was recorded as receipt in advance in current liabilities as at 30 June 2014. Follow the issuance of the realty title certificate in June 2014, the Le Paysage started to deliver to buyers by phases and the receipt in advance are expected to recognise as income in the second half of 2014.

Looking forward to the second half of 2014, the real estate market in China will continue to fluctuate and adjust. However, certain regions lifted the property-purchase limitation, we believe that it will bring the vitality to the market. The Group will invest in suitable projects in Yangtze Delta region, the Pearl River Delta region and Circum-Bohai Sea Economic Zone should desirable opportunities arise. In addition, the Group will on the one hand, focus on its property development business, and on the other hand, strengthen its property leasing and management business, so as to provide a favourable return and stabilised cash flows to the Group.

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

Save as disclosed in above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

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 2014 and up to the date of the interim result announcement.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference to set out its authority and duties. The audit committee comprises three independent non-executive Directors. The audit committee has reviewed the unaudited condensed financial statements for the six months ended 30 June 2014.

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 2014.

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, 21 August 2014

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, Dr. Wu Kam Fun Roderick, Mr. Lo Wai Tung John.