SUNCITY GROUP HOLDINGS LIMITED
太陽城集團控股有限公司

(formerly known as "**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 2017 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Suncity Group Holdings 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 2017 together with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the Audit Committee of the Company:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	*4*	**333,209**	205,524
Cost of sales		**(187,840)**	(106,761)
Gross profit		**145,369**	98,763
Other income		**3,933**	6,101
Other gains and losses	*5*	**(958,571)**	21,084
Selling and distribution expenses		**(25,887)**	(18,983)
General and administrative expenses		**(57,534)**	(30,620)
Other expenses		**(2,062)**	(3,390)
Finance costs	*6*	**(39,941)**	(115,244)
Loss before tax	*8*	**(934,693)**	(42,289)
Income tax expense	*9*	**(121,630)**	(22,620)
Loss for the period		**(1,056,323)**	(64,909)
Other comprehensive expense for the period			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**209**	–
Total comprehensive expense for the period		**(1,056,114)**	(64,909)
Loss for the period attributable to:			
– Owners of the Company		**(1,056,267)**	(64,844)
– Non-controlling interests		**(56)**	(65)
		(1,056,323)	(64,909)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		**(1,056,058)**	(64,844)
– Non-controlling interests		**(56)**	(65)
		(1,056,114)	(64,909)
Loss per Share, in RMB cents	*10*		
Basic		**(17.56)**	(4.32)
Diluted		**(17.56)**	(4.32)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,090**	2,643
Investment properties		**1,713,000**	1,732,000
Deferred tax assets		**101**	102
		1,717,191	1,734,745
CURRENT ASSETS			
Inventories	*13*	**741,165**	813,540
Trade and other receivables	*11*	**249,940**	386,213
Pledged deposits		**5,941**	1,634
Bank balances and cash	*13*	**137,686**	143,439
		1,134,732	1,344,826
CURRENT LIABILITIES			
Trade and other payables, and accruals	*12*	**262,264**	378,171
Receipt in advance		**333,179**	421,117
Rental and other deposits		**8,764**	9,238
Bank and other borrowings – due within one year		**234,500**	270,000
Derivative component of convertible bonds	*14*	**744,273**	59,613
Taxation payables		**350,595**	298,246
Provisions	*13*	**327,233**	–
		2,260,808	1,436,385
NET CURRENT LIABILITIES		**(1,126,076)**	(91,559)
TOTAL ASSETS LESS CURRENT LIABILITIES		**591,115**	1,643,186

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
CAPITAL AND RESERVES		
Share capital	**525,734**	524,712
Reserves	**(1,164,143)**	(131,537)
Equity attributable to owners of the Company	**(638,409)**	393,175
Non-controlling interests	**(786)**	(730)
	(639,195)	392,445
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	**877,397**	895,139
Deferred tax liabilities	**352,913**	355,602
	1,230,310	1,250,741
	591,115	1,643,186

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman KY1-1111, the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 31 March 2017, together with the approval of the Register of Companies in the Cayman Islands on 11 April 2017 and the approval of the Registrar of Companies in Hong Kong on 12 May 2017, the name of the Company has been changed from "Sun Century Group Limited 太陽世紀集團有限公司" to "Suncity Group Holdings Limited 太陽城集團控股有限公司" with effect from 11 April 2017.

2. BASIS OF PREPARATION

The condensed consolidated financial statements 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") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

In preparing the condensed consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively referred to as the "Group") in light of the fact that the Group incurred a net loss of approximately RMB1,056.3 million for the six months ended 30 June 2017 and as of that date, the Group had a total deficiency of approximately RMB639.2 million and the Group's current liabilities exceeded its current assets by approximately RMB1,126.1 million. Subsequent to 30 June 2017, the Group received an enforcement notice civil ruling relating to a civil claim taken out by a bank, pursuant to which the assets of two subsidiaries of the Company are seized or frozen, up to the sum of approximately RMB807.1 million with interest thereon together with fees and expenses to be incurred. The Group also received an enforcement notice in relation to a civil claim in which inventories held by a subsidiary with value of approximately RMB161.2 million shall be disposed of by way of tender to settle the relevant claim. Details of which are set out in note 13 to the condensed consolidated financial statements.

Up to the date of these condensed consolidated financial statements, the Directors have performed an assessment of the Group's future liquidity and cash flows, taken into account the following relevant matters:

(i) the Group is negotiating with the relevant financial institution for the extension for a loan that is scheduled for repayment in next twelve-month period;

(ii) the Group is negotiating with financial institutions on the re-mortgage of its investment properties; and

(iii) other fund-raising activities to be conducted.

The Directors considered that after taking into account the above, the Group's liquidity position will be improved and will have sufficient funds to pay its obligations as and when they fall due in the foreseeable future. Accordingly, the Directors consider that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

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

Six months ended 30 June 2017 (Unaudited)

	Property development	Property leasing	Hotel and integrated resort management and consultancy services	Travel agency services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue					
Total segment revenue	183,067	28,042	–	122,100	333,209
Results					
Segment results	220,061	(19,759)	(7,617)	4,841	197,526
Change in fair value of financial derivatives *(note 14)*					(697,664)
Provisions *(note 13)*					(327,233)
Loss on litigation *(note 13)*					(84,603)
Equity-settled share-based payments					(20,959)
Net exchange gains					24,159
Unallocated income					3,933
Unallocated expenses					(11,083)
Finance costs					(18,769)
Loss before tax					(934,693)

Six months ended 30 June 2016 (Unaudited)

	Property development *RMB'000*	Property leasing *RMB'000*	Hotel and integrated resort management and consultancy services *RMB'000*	Total *RMB'000*
Segment revenue				
Total segment revenue	173,814	31,710	–	205,524
Results				
Segment results	42,444	59,779	(24)	102,199
Net exchange losses				(24,956)
Unallocated income				6,111
Unallocated expenses				(10,399)
Finance costs				(115,244)
Loss before tax				(42,289)

The following is an analysis of the Group's revenue by geographical location:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The People's Republic of China (the ''PRC''), excluding Hong Kong and Macau	**211,109**	205,524
Macau	**122,100**	–
	333,209	205,524

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of subsidiaries	**–**	1,144
Net exchange gains/(losses)	**24,159**	(24,956)
Reversal of impairment loss/(impairment loss) on trade and other receivables	**150,000**	(2,433)
(Impairment loss)/Reversal of impairment loss on inventories	**(4,230)**	7,329
Net (decrease)/increase in fair value of investment properties	**(19,000)**	40,000
Loss on litigation *(note 13)*	**(84,603)**	–
Provisions *(note 13)*	**(327,233)**	–
Change in fair value of financial derivatives *(note 14)*	**(697,664)**	–
	(958,571)	21,084

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interests on bank and other borrowings	**39,941**	115,244

7. DIVIDENDS

No dividend were paid, declared or proposed during both periods. The Directors have determined that no dividend will be paid in respect of the interim period.

8. LOSS BEFORE TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging/(crediting) the followings:		
Depreciation	**849**	718
Less: Amount capitalised	**–**	(10)
	849	708
Directors' remuneration	**2,723**	1,105
Staff costs, excluding Directors' remuneration	**17,879**	16,284
Equity-settled share-based payments	**20,959**	–
(Reversal of impairment loss)/impairment loss on trade and other receivables	**(150,000)**	2,433
Loss on disposal of property, plant and equipment	**–**	10
Net decrease/(increase) in fair value of investment properties	**19,000**	(40,000)
Overprovision of accrual	**(3,360)**	(4,453)
Impairment loss/(Reversal of impairment loss) on inventories	**4,230**	(7,329)

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The income tax expense comprises:		
Current tax		
Macau complementary tax	**5**	–
PRC Enterprise Income Tax		
– under-provision in prior years	**72,750**	–
– current period	**15,432**	8,958
PRC Land Appreciation Tax ("LAT")	**36,132**	1,484
	124,319	10,442
Deferred taxation	**(2,689)**	12,178
	121,630	22,620

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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 both periods as the Group does not have estimated assessable profits in Hong Kong.

The Macau complementary tax and PRC Enterprise Income Tax are calculated at the applicable rates in accordance with the relevant laws and regulations in the respective jurisdictions.

Pursuant to the relevant laws and regulations in Macau, the Macau subsidiary is subject to Macau complementary tax at a maximum rate of 12%.

The PRC Enterprise Income Tax is calculated at statutory rate of 25% of the taxable profits determined in accordance with the relevant income tax rules and regulations in the PRC for both periods.

PRC 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.

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purposes of basic and diluted loss per share	**(1,056,267)**	(64,844)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,013,514,504**	1,502,314,725

Note: For the six months ended 30 June 2017 and 2016, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and the conversion of the Company's outstanding convertible bonds as such would result in a decrease in loss per share.

11. TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables *(Note a)*		
0 to 3 months	**42,371**	46,178
More than 3 months	**2,080**	63
	44,451	46,241
Other receivables	**2,575**	2,047
Loans and advances	**80,015**	140,940
Prepaid land costs *(Note b)*	**101,314**	101,314
Prepayments and deposits *(Note c)*	**21,585**	95,287
Amount due from a related company	**–**	384
	249,940	386,213

Notes:

(a) Trade receivables relate to a number of independent customers and tenants.

(b) Prepaid land costs comprise partial payment of the land costs for acquisition of land use rights in the PRC upon successful bidding at land auctions conducted by the PRC government and the related preparatory costs.

(c) Include a deposit of nil (31 December 2016: approximately RMB84,603,000) placed in court in respect of a litigation and was subsequent used as partial settlement against a litigation during the period.

12. TRADE AND OTHER PAYABLES, AND ACCRUALS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
0 to 3 months or on demand	**27,218**	65,867
More than 3 months	**31,801**	–
	59,019	65,867
Other creditors and accrued charges	**165,907**	312,304
Amount due to a related party	**37,338**	–
	262,264	378,171

13. PROVISIONS

In July 2017, the Group has received an enforcement civil ruling (the "Judgement") from 廣東省深圳市中級人民法院 (the "Intermediate Court") relating to the enforcement of a civil claim (the "Bank Claim") taken out by a bank (the "Bank"). As alleged by the Bank under the Bank Claim, the Bank Claim relates to a loan agreement for a loan with principal amount of RMB120,000,000 (the "Bank Loan") and made between the Bank and a company (the "Borrower") established in the PRC as borrower in prior years. Pursuant to the Bank Claim, it was alleged that 深圳紫瑞房地產開發有限公司 ("Shenzhen Zirui") and 太陽世紀地產集團有限公司 ("Sun Century Property"), both being indirect wholly-owned subsidiaries of the Company established in the PRC, together with other four defendants in the Bank Claim, had been acting as guarantors for the Bank Loan.

Pursuant to the Judgement, the assets of the Borrower, Shenzhen Zirui, Sun Century Property and other defendants under the Bank Claim (up to the sum of RMB807,133,353 with interest thereon together with fees and expenses to be incurred under the enforcement) shall be seized or frozen (the "Frozen Assets") and such Frozen Assets shall be disposed of for repayment of the amounts under the Bank Claim if not paid. As at the date of this report, the Frozen Assets comprised bank balances in the aggregate amount of approximately RMB323,000 and inventories of approximately RMB164,622,000.

Based on the PRC legal opinion, Shenzhen Zirui and Sun Century Property have the right and sufficient and recoverable argument to appeal and, if successful, the obligations under the Bank Claim should be reduced to approximately RMB285,600,000 as of 30 June 2017 and the actual amount shall be determined on the final settlement date. Accordingly, provision of RMB285,600,000 was made against the Bank Claim during the period and the remaining amount of RMB521,533,353 was disclosed as contingent liabilities (31 December 2016: contingent liabilities of RMB136,237,000).

The Group also received an enforcement notice (the "Enforcement Notice") from the Intermediate Court in relation to another civil claim (the "Consultant Claim"). Pursuant to the Consultant Claim, an individual (the "Claimant") alleged provision of consultancy services to the Borrower relating to the Bank Loan pursuant to a consultancy agreement (the "Consultancy Agreement") made between the Claimant and the Borrower in prior years. It was alleged that Shenzhen Zirui, Sun Century Property and another defendant had been acting as guarantors in respect of payment of consultancy fee under the Consultancy Agreement. Pursuant to the Enforcement Notice, certain inventories held by Shenzhen Zirui with value of approximately RMB161,211,000 (the ''Inventories'') shall be disposed of by way of tender to settle the Consultant Claim. In the event that the Inventories were released from the Enforcement Notice, pursuant to the Judgement under the Bank Claim, the Inventories shall be seized or frozen.

Based on the PRC legal opinion, the Consultant Claim is not reviewable. Since all rights to appeal had been exhausted but the appeals were not successful. The obligation under the Consultant Claim as of 30 June 2017 amounted to approximately RMB126,236,000. Having considered a deposit of approximately RMB84,603,000 was used as partial settlement against the obligation, additional provision of approximately RMB41,633,000 was made during the period and the actual amount shall be determined on the final settlement date (31 December 2016: contingent liabilities of RMB128,280,000).

14. CONVERTIBLE BONDS

	Loan component	Derivative component	Total
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 31 December 2016 (Audited)	445,143	59,613	504,756
Change in fair value of derivative component	–	697,664	697,664
Interest charge	15,749	–	15,749
Exchange differences	(13,491)	(13,004)	(26,495)
Carrying amount at 30 June 2017 (Unaudited)	**447,401**	**744,273**	**1,191,674**

On 8 December 2016, the Company issued two-year zero coupon convertible bonds (the "Convertible Bonds") for a principal amount of HK$570,000,000 (equivalent to RMB505,077,000 at the issuance date) to Fame Select Limited, the major shareholder of the Company to set off the balance of the shareholder's loan due to Fame Select Limited on a dollar-for-dollar basis against the total subscription price payable by Fame Select Limited in respect of the subscription of the Convertible Bonds.

The value of the derivative component of the Convertible Bonds was determined by an independent valuer, based on the Binomial Tree Pricing Model, at 30 June 2017 and 31 December 2016. The assumptions of the valuation of the convertible option embedded in the Convertible Bonds are set out as follows:

	30 June 2017	**31 December 2016**
Fair value at measurement date	**HK$0.760**	HK$0.204
Exercise price	**HK$0.260**	HK$0.260
Expected volatility	**67.47%**	93.50%
Expected option life	**1.4 Years**	2 Years
Expected dividends	**–**	–
Risk-free interest rate	**1.16%**	1.04%
Discount rate	**7.16%**	10.05%

15. CONTINGENT LIABILITIES

(a) At 30 June 2017, 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 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Guarantees given to banks for mortgage facilities granted to purchasers	**3,435,000**	3,435,000

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.

As of 30 June 2017, 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) As of 30 June 2017, the Group was in litigation in relation to the Bank Claim amounting to approximately RMB521,533,353 (31 December 2016: litigation in relation to the Bank Claim and Consultant Claim totalled approximately RMB264,517,000). For details, please refer to note 13 to the condensed consolidated financial statements.

(c) Pursuant to the Judgement and the Enforcement Notice, certain properties sold in prior years (revenue of approximately RMB120,538,000 being recognised as of 30 June 2017) or being subscribed to by the purchasers in connection with the Group's pre-sale of properties (receipt in advance of approximately RMB166,342,000 as of 30 June 2017) are being seized or frozen. The Group has been assisting the purchasers to apply for such properties being released therefrom. Based on the PRC legal opinion, in the event that application for the release is unsuccessful, the purchasers are entitled to seek for compensation up to an amount of approximately RMB573,760,000 from the Group.

16. EVENT AFTER THE REPORTING PERIOD

On 27 July 2017, Goal Summit Limited, a wholly-owned subsidiary of the Company, Suncity International Holdings Limited and Mr. Chau Cheok Wa, entered into an acquisition agreement, pursuant to which, among other things, Goal Summit Limited agreed to acquire and Suncity International Holdings Limited agreed to sell, the entire equity interest of and shareholder's loan owed by Star Admiral Limited at an aggregate consideration of HK$600 million, which shall be satisfied by the issue of promissory note and convertible bonds by the Company in the principal amount of HK$303 million and HK$297 million, respectively, to Suncity International Holdings Limited (or as it may direct in writing) at the completion of the acquisition in accordance with the terms and conditions of the acquisition agreement. Details of the above are disclosed in the announcement of the Company dated 27 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue for the six months under review was derived from (i) the sale of properties, (ii) the leasing of properties, and (iii) the provision of travel agency services. The increase in revenue for the six months under review was mainly attributable to revenue of approximately RMB122.1 million from the provision of travel agency services by Sun Travel Ltd. ("Sun Travel"), an indirect wholly-owned subsidiary acquired by the Company on 31 August 2016.

In respect of the sale of properties, the Group delivered residential units in the aggregate gross floor of approximately 3,227 m^2 (six months ended 30 June 2016: 5,152 m^2), including high-rise building units of approximately 2,240 m^2 (six months ended 30 June 2016: 4,400 m^2), luxury high-rise building units of approximately nil m^2 (six months ended 30 June 2016: 752 m^2) and villa of approximately 987 m^2 (six months ended 30 June 2016: nil). As a result of the sale of villa, which is of higher selling price, revenue for the six months under review increased by approximately RMB9.3 million.

Revenue from the leasing of properties decreased as a result of the decrease in occupancy rate during the six months under review.

Other income

The decrease in other income during the six months under review was mainly due to the decrease in income from the forfeiture of deposits from purchasers.

Other gains and losses

The significant increase in other losses during the six months under review was mainly attributable to (i) change in fair value of financial derivatives of approximately RMB697.7 million (six months ended 30 June 2016: nil) and (ii) loss and provision for litigations in the aggregate amount of approximately RMB411.8 million (six months ended 30 June 2016: nil). Other gains and losses also included a gain on reversal of impairment loss on trade and other receivables of RMB150.0 million (six months ended 30 June 2016: nil).

Selling and distribution expenses

The increase in selling and distribution expenses during the six months under review was mainly attributable to the increase in commission paid.

General and administrative expenses

The increase in general and administrative expenses during the six months under review was mainly attributable to the equity-settled share-based payment of approximately RMB21.0 million (six months ended 30 June 2016: nil).

Finance costs

Finance costs for the six months under review comprise interests on bank and other borrowings and convertible bonds of approximately RMB24.2 million (six months ended 30 June 2016: RMB115.2 million) and RMB15.7 million (six months ended 30 June 2016: nil), respectively. As the Group repaid certain of its bank and other borrowings with relatively high interest rate in the second half of last year, there was a drastic decrease in interest on bank and other borrowings during the six months under review. The funding source of such repayment was from part of proceeds of the Company's right issue exercise, which was completed in December 2016.

Income tax expense

Income tax expense comprises current tax and deferred taxation and the increase for the six months under review was mainly due to the under-provision of PRC Enterprise Income Tax in prior years.

Segment Analysis

During the six months under review, property development revenue, property leasing revenue and travel agency services revenue accounted for approximately 54.94% (six months ended 30 June 2016: 84.57%), 8.42% (six months ended 30 June 2016: 15.43%) and 36.64% (six months ended 30 June 2016: nil) of total revenue of the Group.

Liquidity, Financial Resources And Gearing

Bank and cash balances and pledged deposits, in aggregate, as at 30 June 2017 amounted to approximately RMB143.6 million (31 December 2016: RMB145.1 million).

The Group had total borrowings of approximately RMB1,111.9 million as at 30 June 2017 (31 December 2016: RMB1,165.1 million). RMB234.5 million were repayable on demand or within one year, RMB492.4 million were repayable in more than one year but not exceeding two years; RMB135.0 million were repayable in more than two years but not exceeding five years, and the remaining RMB250.0 million were repayable over five years. The Group's borrowings carried interest at fixed or floating interest rates. The Group's total borrowings divided by total assets as at 30 June 2017 was 38.99% (31 December 2016: 37.83%).

As at 30 June 2017, the Group had current assets of approximately RMB1,134.7 million (31 December 2016: RMB1,344.8 million) and current liabilities of approximately RMB2,260.8 million (31 December 2016: RMB1,436.4 million).

Charge On Assets

As at 30 June 2017, bank and other borrowings of approximately RMB634.5 million were secured by certain investment properties and inventories of the Group of approximately RMB1,713.0 million (31 December 2016: RMB1,732.0 million) and RMB170.1 million (31 December 2016: RMB488.5 million) respectively.

As at 30 June 2017, pledged deposits of approximately RMB5.9 million (31 December 2016: RMB1.3 million) were pledged for the license and suppliers in relation to Sun Travel, an indirect wholly-owned subsidiary of the Company.

As stated in note 13 to the condensed consolidated financial statements, certain assets of Shenzhen Zirui and Sun Century Property shall be seized or frozen due to the Bank Claim. As at the date of this report, the Frozen Assets comprised bank balances in the aggregate amount of approximately RMB323,000 and inventories of approximately RMB164,622,000. And in relation to the Consultant Claim, certain inventories held by Shenzhen Zirui with value of approximately RMB161,211,000 (the ''Inventories'') shall be disposed of by way of tender to settle the Consultant Claim. In the event that the Inventories were released from the Enforcement Notice, pursuant to the Judgement under the Bank Claim, the Inventories shall be seized or frozen.

Exposure To Fluctuations In Exchange Rates And Related Hedges

The Group conducts its business primarily in Renminbi. Except for bank balances and cash of approximately HK$64.0 million and US$0.01 million, pledged deposits of approximately HK$6.0 million, convertible bonds in the principal amount of HK$570 million and promissory note of approximately HK$5.6 million, the Group does not have material exposures to fluctuations in exchange rates. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as at 30 June 2017.

Contingent Liabilities

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

Employees

As at 30 June 2017, the Group had a staff force of approximately 185 (2016: 250) 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 six months ended 30 June 2017 was approximately RMB20.6 million (six months ended 30 June 2016: RMB17.5 million).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

Business Review

The Group is principally engaged in the development of residential and commercial properties as well as leasing of commercial properties in Guangdong, Liaoning and Anhui Provinces, the PRC, and the provision of hotel and integrated resort management and consultancy service and travel agency service.

Properties Development

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

Completed Project

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 Gross Floor Area ("GFA") of approximately 135,000m^2. 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.

Projects Under Development

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 116,000m^2. To cope with the rectification, integration and development of Chaohu Scenic Area, the Group planned to postpone the development progress of The Landale and commence pre-sale of the project in phases in 2019 onwards.

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 72,350m^2 with a plot ratio of more than 1 but less than 2.7 and the planned GFA of approximately of 195,345m^2. The land use of the land is for commercial and residential use. The project is still in the initial design and planning stage.

Properties Leasing and Management

Hong Long Plaza: Hong Long Plaza is situated in Bao Min 2nd Road, Baoan District, Shenzhen City, Guangdong Province, the PRC. Hong Long Plaza is a commercial and residential complex occupying a total GFA of approximately 172,630m^2. For residential portion, it comprises three 25 to 27 storey towers with a total of approximately 1,500 residential units erected on a 5-storey shopping mall and a 2-storey basement for car parking. It is managed by Shenzhen Sun Era Management Company Limited, a wholly-owned subsidiary of the Company. The commercial portion of Hong Long Plaza, namely Gang Long City Shopping Centre, comprises a total GFA of approximately 64,397m^2 for a shopping mall. Gang Long City Shopping Centre is held by the Group for leasing purpose and is managed by Shenzhen Gang Long City Commercial Management Company Limited, a wholly-owned subsidiary of the Company.

Hotel and Integrated Resort Management and Consultancy Service

Hotel and integrated resort management and consultancy represents the provision of management and consultancy services to hotel and integrated resort.

During the year of 2016, an indirect wholly-owned subsidiary, Suncity Group Management and Consultancy Limited ("SGMCL"), has been set up for the opportunities of hotel and integrated resorts in the Asian countries, such as Korea, Malaysia and Vietnam. On 27 February 2017, SGMCL entered into a non-legally binding memorandum of understanding (the "MOU 1") with an independent third party, regarding the provision of consultancy and management services to an integrated resort project to be developed in Vietnam.

In June 2017, Suncity Group Management and Consultancy (Hoi An) Limited ("Management Company"), an indirect wholly-owned subsidiary of the Company, entered a non-legally binding memorandum of understanding (the "MOU 2") with a project company incorporated in Vietnam and indirectly owned as to approximately 34% by Mr. Chau Cheok Wa ("Mr. Chau"), who is the chairman and an executive Director of the Company, in relation to the proposed provision of consultancy and management services by the Management Company in respect of an integrated resort project in Hoi An, Vietnam.

Travel Agency Service

In February 2017, Sun Travel entered into (i) a hotel accommodation procurement agreement and (ii) a ferry ticket supply agreement with Sun City Gaming Promotion, a related company which is wholly-owned by Mr. Chau.

Pursuant to the hotel accommodation procurement agreement, Sun Travel may from time to time to procure from Sun City Gaming Promotion the hotel accommodation products, subject to the cap of HK$120 million from the commencement date of hotel accommodation procurement agreement to 31 December 2017. Pursuant to the ferry ticket supply agreement, Sun City Gaming Promotion may from time to time purchase from Sun Travel the ferry tickets and other complementary services, subject to the annual caps of HK$8.5 million in 2017, HK$10 million in 2018 and HK$10 million in 2019 respectively.

In May 2017, after taking into account the development of the business of Sun Travel, the Board proposed to revise the original annual cap of HK$120 million to HK$420 million for the initial term from 31 March 2017 to 31 December 2017 and to provide additional annual caps of HK$570 million and HK$590 million for the years ending 31 December 2018 and 31 December 2019, respectively. This ordinary resolution was duly passed at the extraordinary general meeting of the Company held on 23 June 2017.

Sun Travel contributed a significant revenue stream to the Group for the six months under review, which accounted for approximately 36.64% of the Group's total revenue.

Review and Outlook

The Group has commenced to deliver Le Paysage to purchasers since the fourth quarter of 2014. With the heating up of Shenzhen property market and we began to deliver the boutique high-rise building and villa residential units, the gross profit margin in property development segment has increased from 41.36% in the first half year of 2016 to 60.56% in the first half year of 2017.

Looking ahead, we expect the government policies will remain unchanged and the local governments will fine-tune and introduce targeted policies based on growth properties stock, properties prices and land prices. In the meantime, the Group will actively examine the developing real estate markets outside China. Asian countries, such as Korea, Malaysia and Vietnam are among the initial target markets of the Group.

Regarding the travel agency service, the Group is devoted to optimise its business platform, broaden its sales channels such as developing its own Online Travel Agency cellphone application ("OTA App") in 2017, so as to provide hotel accommodation, tickets reservation service and other travel related products to its customers through the OTA App.

Regarding the hotel and integrated resort management and consultancy service, the Group has signed two non-legally binding memorandums of understanding (i.e. MOU 1 and MOU 2) in the first half of 2017, in relation to the proposed provision of consultancy and management services to integrated resort projects in Vietnam. We expect the formal agreement in respect of the above mentioned projects will be entered into during the year ending 31 December 2017.

On 27 July 2017, the Group entered the acquisition agreement in relation to the proposed acquisition of the entire equity interest in and shareholder's loan owned by Star Admiral Limited, which is a company indirectly wholly owned by Mr. Chau. Star Admiral Limited owns approximately 34% equity interest in a project company, in which its principal asset is an integrated resort project in Hoi An, Vietnam. We expect this acquisition shall complete on or before 31 December 2017, subject to the fulfilment of the conditions precedent as disclosed in the announcement of the Company dated 27 July 2017.

The Group will continue to explore and invest in potential projects and business opportunities with good potential and to further expand its tourism-related business to other countries in the Asian market.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2017, the Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report, as amended from time to time (the "Code"), as stated in Appendix 14 of the Rules Governing the Listing of 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 six months ended 30 June 2017, save as disclosed below:

Under Code provision D.1.4 of the Code, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Chau, Mr. Lo Kai Bong ("Mr. Lo"), Mr. Au Chung On John ("Mr. Au") and Mr. Manuel Assis Da Silva, executive Directors of the Company. However, Mr. Chau, Mr. Lo, Mr. Au and Mr. Manuel Assis Da Silva are subject to retirement by rotation at least once in every three years in accordance with the Articles.

Under Code provision E.1.2 of the Code, the chairman of the Board should attend the general meetings of the Company and invite the chairman of the committees to attend. Also, under code provision A.6.7 of the Code, independent non-executive Directors should attend general meeting of the Company and develop balanced understanding of the views of shareholders. However, due to other business commitment, Mr. Chau, the chairman of the Board, Mr. Lo Wai Tung John, the chairman of remuneration committee of the Company and an independent non-executive Director, Mr. Tou Kin Chuen, the chairman of audit committee of the Company (the "Audit Committee") and an independent non-executive Director, and Dr. Wu Kam Fun Roderick, the Chairman of nomination committee of the Company and independent non-executive Director, did not attend the extraordinary general meetings held on 31 March 2017 and 23 June 2017 and the annual general meeting of the Company held on 23 June 2017.

AUDIT COMMITTEE

The Company has established the 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 consolidated financial statements for the six months ended 30 June 2017.

MODEL 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. 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 2017.

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
Suncity Group Holdings Limited
Chau Cheok Wa
Chairman

Hong Kong, 28 August, 2017

As at the date of this announcement, the executive Directors are Mr. Chau Cheok Wa, Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva; and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.