# 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)**

## 2016 ANNUAL RESULTS ANNOUNCEMENT

The board ("Board") of directors ("Directors") of Sun Century Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2016*

| | Notes | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|---|
| **Turnover** | 3 | **1,108,544** | 726,088 |
| Cost of sales | | **(603,238)** | (412,226) |
| **Gross profit** | | **505,306** | 313,862 |
| Other net expenses | 4 | **(78,319)** | (66,806) |
| Selling and distribution expenses | | **(79,075)** | (50,762) |
| General and administrative expenses | | **(82,232)** | (74,069) |
| Other operating expenses | | **(334,318)** | (21,106) |
| Increase in fair value of investment properties | | **40,000** | 95,000 |
| (Impairment loss)/Reversal of impairment loss on inventories | | **(21,557)** | 13,367 |
| **(Loss)/Profit from operations** | | **(50,195)** | 209,486 |
| Finance costs | | **(189,664)** | (296,431) |
| Change in fair value of financial derivatives | | **7,138** | – |
| Impairment loss recognised in respect of goodwill | | **(4,039)** | – |
| Gain on disposal of subsidiaries | | **1,145** | – |
| **Loss before tax** | | **(235,615)** | (86,945) |
| Income tax expense | 5 | **(254,893)** | (158,987) |
| **Loss for the year** | 6 | **(490,508)** | (245,932) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(490,386)** | (245,007) |
| Non-controlling interests | | **(122)** | (925) |
| | | **(490,508)** | (245,932) |
| | | ***RMB cents*** | *RMB cents (Restated)* |
| **Loss per share** | 8 | | |
| Basic and diluted | | **(28.59)** | (16.13) |

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

*For the year ended 31 December 2016*

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Loss for the year** | **(490,508)** | (245,932) |
| **Other comprehensive expense** | | |
| *Item that may be reclassified subsequently to profit and loss:* | | |
| Exchange differences on translating foreign operations | **(234)** | – |
| **Total comprehensive loss for the year** | **(490,742)** | (245,932) |
| **Total comprehensive loss for the year attributable to:** | | |
| Owners of the Company | **(490,620)** | (245,007) |
| Non-controlling interests | **(122)** | (925) |
| | **(490,742)** | (245,932) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2016*

| | Notes | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,643** | 2,843 |
| Investment properties | | **1,732,000** | 1,692,000 |
| Deferred tax assets | | **102** | 217 |
| | | **1,734,745** | 1,695,060 |
| **Current assets** | | | |
| Inventories | | **813,540** | 1,324,477 |
| Trade and other receivables | *9* | **386,213** | 636,977 |
| Pledged deposits | | **1,634** | 2,666 |
| Bank balances and cash | | **143,439** | 27,768 |
| | | **1,344,826** | 1,991,888 |
| **Current liabilities** | | | |
| Trade and other payables, and accruals | *10* | **378,171** | 452,562 |
| Receipts in advance | | **421,117** | 623,559 |
| Rental and other deposits | | **9,238** | 10,200 |
| Bank and other borrowings – due within one year | | **270,000** | 1,558,261 |
| Derivative component of convertible bonds | | **59,613** | – |
| Current tax liabilities | | **298,246** | 144,532 |
| | | **1,436,385** | 2,789,114 |
| **Net current liabilities** | | **(91,559)** | (797,226) |
| **Total assets less current liabilities** | | **1,643,186** | 897,834 |
| **Non-current liabilities** | | | |
| Bank and other borrowings – due after one year | | **895,139** | 480,000 |
| Deferred tax liabilities | | **355,602** | 341,393 |
| | | **1,250,741** | 821,393 |
| **NET ASSETS** | | **392,445** | 76,441 |
| **Capital and reserves** | | | |
| Share capital | | **524,712** | 123,644 |
| Reserves | | **(131,537)** | (41,986) |
| **Equity attributable to owners of the Company** | | **393,175** | 81,658 |
| **Non-controlling interests** | | **(730)** | (5,217) |
| **TOTAL EQUITY** | | **392,445** | 76,441 |

*Notes:*

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA'') that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int").

| | |
|---|---|
| HKFRS 14 | Regulatory Deferral Accounts |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements |
| Amendments to HKFRS 10 HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle |

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

**New and revised HKFRSs issued but not yet effective**

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[3] |
| Amendments to HKFRS 2 | Share-based Payment: Classification and Measurement of Share-based Payment Transactions[2] |
| Amendments to HKAS 7 | Statement of Cash Flows: Disclosure Initiative[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKAS 12 | Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses[1] |

1 Effective for annual periods beginning on or after 1 January, 2017, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January, 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January, 2019, with earlier application permitted.

4 Effective for annual periods beginning on or after a date to be determined.

The Group has already commenced considering the potential impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its financial performance and financial position.

## 2. GOING CONCERN CONVENTION

In preparing the consolidated financial statements, the Directors have given careful consideration to the liquidity of the Group as the Group has sustained losses for 4 consecutive years. In particular, the Group incurred a loss of approximately RMB490,508,000 for the year ended 31 December 2016 (2015: RMB245,932,000) and has net current liabilities of approximately RMB91,559,000 at 31 December 2016 (2015: RMB797,226,000).

In the opinion of the Directors, the Group is able to operate as a going concern in the coming year after taking into consideration the following condition:

Included in current liabilities, receipts in advance as at 31 December 2016 of approximately RMB421,117,000 were received from the purchasers of Le Paysage and are non-refundable.

Based on the Group's cash flow forecast, the Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and meet its financial obligations when they fall due in the foreseeable future. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

## 3. SEGMENT INFORMATION

The Group has four reportable segments as follows:

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

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

(3) Hotel and integrated resort management and consultancy services – This segment provides hotel and integrated resort management and consultancy services to generate service income; and

(4) Travel agency services – This segment provides travel agency services to generate service income.

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

The accounting policies of the operating segments are the same as those of the Group. Segment profit or loss do not include finance costs and corporate income and expenses. Segment assets include all current and non-current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include all current and non-current liabilities with the exception of current tax liabilities, deferred tax liabilities and other corporate liabilities.

**Information about reportable segment profit or loss, assets and liabilities**

| | Property development *RMB'000* | Property leasing *RMB'000* | Hotel and integrated resort management and consultancy services *RMB'000* | Travel agency services *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **For the year ended 31 December 2016** | | | | | |
| Revenue from external customers | 1,048,222 | 59,079 | – | 1,243 | 1,108,544 |
| Segment (loss)/profit | (25,457) | 80,535 | (1,714) | (268) | 53,096 |
| Other information: | | | | | |
| Gain on disposal of property, plant and equipment | – | 57 | – | – | 57 |
| Depreciation | (814) | (233) | (3) | (81) | (1,131) |
| Impairment loss on trade and other receivables | (316,259) | – | – | – | (316,259) |
| Increase in fair value of investment properties | – | 40,000 | – | – | 40,000 |
| Impairment loss on inventories | (21,557) | – | – | – | (21,557) |
| Gain on disposal of subsidiaries | – | – | 1,145 | – | 1,145 |
| Advertising and commission expenses | (74,291) | (108) | – | – | (74,399) |
| Impairment loss recognised in respect of goodwill | – | – | – | (4,039) | (4,039) |
| Additions to segment non-current assets | – | 36 | 181 | – | 217 |
| **At 31 December 2016** | | | | | |
| Segment assets | 1,125,935 | 1,739,709 | 192 | 8,214 | 2,874,050 |
| Segment liabilities | (1,024,958) | (12,528) | (2,784) | (7,984) | (1,048,254) |

| | Property development RMB'000 | Property leasing RMB'000 | Hotel and integrated resort management and consultancy services RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **For the year ended 31 December 2015** | | | | |
| Revenue from external customers | 667,510 | 58,032 | 546 | 726,088 |
| Segment profit/(loss) | 157,788 | 136,039 | (1,426) | 292,401 |
| Other information: | | | | |
| Loss on disposal of property, plant and equipment | – | (117) | – | (117) |
| Depreciation | (1,393) | (608) | (1) | (2,002) |
| Increase in fair value of investment properties | – | 95,000 | – | 95,000 |
| Reversal of impairment loss on inventories | 13,367 | – | – | 13,367 |
| Advertising and commission expenses | (42,648) | (225) | (56) | (42,929) |
| Additions to segment non-current assets | 64 | 253 | – | 317 |
| **At 31 December 2015** | | | | |
| Segment assets | 1,545,286 | 1,719,519 | 352 | 3,265,157 |
| Segment liabilities | (774,364) | (13,645) | (6,102) | (794,111) |

**Reconciliations of reportable segment profit or loss, assets and liabilities**

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit or loss** | | |
| Total profit of reportable segments | **53,096** | 292,401 |
| Other net expenses | **(81,318)** | (70,486) |
| Depreciation | **(178)** | (288) |
| Change in fair value of financial derivatives | **7,138** | – |
| Corporate finance costs | **(189,664)** | (296,431) |
| Other corporate expenses | **(24,689)** | (12,141) |
| Consolidated loss before tax | **(235,615)** | (86,945) |
| **Assets** | | |
| Total assets of reportable segments | **2,874,050** | 3,265,157 |
| Deferred tax assets | **102** | 217 |
| Unallocated corporate assets | **205,419** | 421,574 |
| Consolidated total assets | **3,079,571** | 3,686,948 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **(1,048,254)** | (794,111) |
| Current tax liabilities | **(9,673)** | (144,532) |
| Deferred tax liabilities | **(355,602)** | (341,393) |
| Unallocated corporate liabilities | **(1,273,597)** | (2,330,471) |
| Consolidated total liabilities | **(2,687,126)** | (3,610,507) |

**Geographical Information**

The Group's revenue from external customers by geographical market is analysed as below:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PRC, excluding Hong Kong and Macau | **1,107,301** | 726,088 |
| Macau | **1,243** | – |
| | **1,108,544** | 726,088 |

**Revenue from major customers**

During the year ended 31 December 2016, no customer (2015: nil) contributed for 10% or more of the Group's total revenue.

## 4. OTHER NET EXPENSES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Advertising income | **200** | 373 |
| Interest income | **423** | 4,368 |
| Gain/(Loss) on disposal of property, plant and equipment | **57** | (117) |
| Net exchange loss | **(81,549)** | (70,415) |
| Net realised and unrealised loss on trading securities | **–** | (212) |
| Net utilities expenses related to property leasing business | **(3,194)** | (2,570) |
| Reversal of impairment on trade and other receivables | **2,020** | – |
| Others | **3,724** | 1,767 |
| | **(78,319)** | (66,806) |

## 5. INCOME TAX EXPENSE

**Income Tax Expense**

(a) Taxation in the consolidated statement of profit or loss:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| PRC Corporate Income Tax | | |
| – Provision for the year | **55,846** | 19,394 |
| – Under provision in prior years | **–** | 6,671 |
| | **55,846** | 26,065 |
| PRC Land Appreciation Tax ("LAT") | | |
| – Provision for the year | **184,723** | 104,970 |
| Total current tax | **240,569** | 131,035 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **14,324** | 27,952 |
| Income tax expense | **254,893** | 158,987 |

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 provision for Hong Kong Profits Tax for both years has been made in the consolidated financial statements as the Group has no estimated assessable profits arising in Hong Kong.

No provision for Macau Profits Tax has been made in the consolidated financial statements as the Group has no estimated assessable profits arising in Macau.

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 year ended 31 December 2016 (2015: 25%).

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 expenditures.

(b) Reconciliation between income tax expense and accounting loss at applicable tax rate:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss before tax | **(235,615)** | (86,945) |
| Notional tax calculated at PRC Corporate Income Tax rate of 25% (2015: 25%) (Note) | **(58,903)** | (21,736) |
| Effect of different tax rates in other jurisdictions in which the Group operates | **44,550** | 16,676 |
| Tax effect on LAT deductible for calculation of income tax purpose | **(46,180)** | (26,243) |
| Tax effect of non-taxable revenue | **(899)** | (4,402) |
| Tax effect of non-deductible expenses | **92,740** | 65,067 |
| Tax effect of unused tax losses not recognised | **38,864** | 17,984 |
| LAT | **184,721** | 104,970 |
| Under provision in prior years | **–** | 6,671 |
| Income tax expense | **254,893** | 158,987 |

*Note:* It represents the tax rate of the jurisdiction where the operation of the Group is substantially based.

## 6. LOSS FOR THE YEAR

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Depreciation | **1,344** | 2,382 |
| Less: Amount capitalised | **(35)** | (92) |
| | **1,309** | 2,290 |
| Auditor's remuneration: | | |
| – Current year | **1,458** | 1,349 |
| – Other services | **194** | – |
| | **1,652** | 1,349 |
| Staff costs including Directors' emoluments: | | |
| – Salaries, bonus and allowances | **31,109** | 37,554 |
| – Retirement benefit scheme contributions | **2,343** | 4,116 |
| – Quarter expenses | **720** | 527 |
| | **34,172** | 42,197 |
| Less: Amount capitalised | **(224)** | (1,112) |
| | **33,948** | 41,085 |
| Operating lease charges in respect of office premises | **8,988** | 6,530 |
| Cost of inventories sold | **598,263** | 406,946 |
| Impairment loss on trade and other receivables | **316,259** | – |
| Direct outgoings *(note)* | **4,975** | 5,151 |

*Note:*

Direct outgoings represent management fee expenses.

## 7. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

## 8. 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 data:

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Loss for the year attributable to owners of the Company and loss for the purpose of basic loss per share | **(490,386)** | (245,007) |

| | Number of shares | |
|---|---|---|
| | **2016** | 2015 |
| | | *(Restated)* |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **1,715,441,423** | 1,519,152,624 |

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for 2015 have been retrospectively adjusted for the effect of bonus element in connection to the rights issue completed in December 2016.

The diluted loss per share is the same as basic loss per share as for the year ended 31 December 2016 the potential ordinary shares issuable in respect of outstanding share options and convertible bonds have anti-dilutive effect on the basic loss per share.

The diluted loss per share is the same as basic loss per share as for the year ended 31 December 2015, the potential ordinary shares issuable in respect of outstanding share options have anti-dilutive effect on the basic loss per share.

## 9. TRADE AND OTHER RECEIVABLES

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade receivables | **46,241** | 67,750 |
| Other receivables | **2,047** | 10,847 |
| Loans and advances | **140,940** | 126,284 |
| Prepaid land costs | **101,314** | 101,314 |
| Prepayments and deposits | **95,287** | 330,782 |
| Amount due from a related company | **384** | – |
| | **386,213** | 636,977 |

The ageing analysis of trade receivables, based on invoice date is as follows:

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| 0 to 3 months | **46,178** | 67,750 |
| More than 3 months | **63** | – |
| | **46,241** | 67,750 |

## 10. TRADE AND OTHER PAYABLES, AND ACCRUALS

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **65,867** | 81,442 |
| Other creditors and accrued charges | **312,304** | 371,120 |
| | **378,171** | 452,562 |

The ageing analysis of trade payables is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 3 months or on demand | **65,867** | 81,442 |

## 11. CONTINGENT LIABILITIES

(a) At 31 December 2016, 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:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 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.

At 31 December 2016, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

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

(b) At 31 December 2016, the Group has been in litigation in relation to various claims totalled approximately RMB264,517,000 (2015: RMB298,814,000). Based on the legal advice obtained, the Directors believe that the Group has reasonable good chances of successfully defending those claims. Hence, no provision has been made in the consolidated financial statements.

## 12. EVENTS AFTER THE END OF THE REPORTING PERIOD

(1) The Company granted a total of 150,000,000 share options to the eligible participants on 11 January 2017, under the share option scheme adopted by the Company on 2 June 2016, to subscribe for a total of 150,000,000 new ordinary shares of HK$0.10 each in the share capital of the Company with the exercise price of HK$0.202 per share. Details please refer the announcement of the Company dated 11 January 2017.

(2) Sun Travel Limited ("Sun Travel"), an indirect wholly-owned subsidiary of the Company, entered into (i) a hotel accommodation procurement agreement; and (ii) a ferry ticket supply agreement with Sun City Gaming Promotion Company Limited ("Sun City Gaming Promotion") on 6 February 2017.

The hotel accommodation procurement agreement has a term commencing from the date of approval of the hotel accommodation procurement agreement at the extraordinary general meeting to be held and convened on 31 March 2017 to 31 December 2017. During the term of the hotel accommodation procurement agreement, Sun Travel may from time to time procure from Sun City Gaming Promotion, and Sun City Gaming Promotion may from time to time supply to Sun Travel, the Hotel Accommodation Products, subject to the cap of HK$120,000,000.

The ferry ticket supply agreement has a term of three years commencing from 6 February 2017 to 31 December 2019 (both dates inclusive). During the term of the ferry ticket supply agreement, Sun City Gaming Promotion may from time to time purchase from Sun Travel, and Sun Travel may from time to time supply to Sun City Gaming Promotion, the ferry tickets and other complementary services, subject to the annual caps of HK$8,500,000, HK$10,000,000 and HK$10,000,000 for each of the three years (commencing from 6 February 2017) ending 31 December 2019.

Details please refer the announcement of the Company dated 6 February 2017 and the circular of the Company dated 8 March 2017 respectively.

(3) The Company proposed to change its English name of the Company from "SUN CENTURY GROUP LIMITED" to "SUNCITY GROUP HOLDINGS LIMITED" and to adopt the Chinese name "太陽城集團控股有限公司" as the dual foreign name of the Company to replace its existing Chinese name "太陽世紀集團有限公司" on 6 February 2017. The proposed change of Company name is conditional upon the satisfied of (i) the passing of a special resolution by the shareholders of the Company at the extraordinary general meeting to be held on 31 March 2017 to approve the proposed change of company name; and (ii) the Registrar of Companies in the Cayman Islands approving the proposed new English name and the dual foreign name in Chinese of the Company. Details please refer the announcement of the Company dated 6 February 2017 and the circular of the Company dated 8 March 2017 respectively.

(4) Suncity Group Management and Consultancy Limited (the "SGMCL"), an indirect wholly owned subsidiary of the Company, entered into a memorandum of understanding (the "MOU") with an independent third party (the "Project Owner"), regarding the provision of consultancy and management services to an integrated resort project to be developed by the Project Owner in Vietnam (the "Project") on 27 February 2017.

Pursuant to the MOU, the SGMCL and the Project Owner shall negotiate in good faith with an aim to enter into a formal agreement relating to the provision of consultancy and management services (the "Technical Service Agreement") and a formal management agreement (the "Management Agreement") relating to the provision of consultancy and management services by the Management Subsidiary in respect of the Project.

It is contemplated that the services by the SGMCL under the Technical Service Agreement shall include the management's review of and providing advices regarding certain pre-opening matters provided that the actual scope of the Technical Service Agreement shall be subject to the actual terms of the Technical Service Agreement.

Subject to the terms and conditions of the Technical Service Agreement, the pre-opening consultancy service fee shall be US$500,000 for an initial period of twelve months from the signing of the Technical Service Agreement.

Subject to the terms and conditions of the Management Agreement, the expected term of the Management Agreement shall commence from the commencement of the Project and until the expiry of 10 years or termination of the investment registration certificate of the Project, whichever is earlier.

Details please refer the announcement of the Company dated 27 February 2017.

**13. OTHER MATTERS**

On 8 February 2013, the Company received a writ of summons issued out of the court with respect to the dispute between CCB International Asset Management Limited (the "CCBI") as the plaintiff with the Company as one of the defendants (the "Action"). For the avoidance of doubt, Grand Prosperity Limited ("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.

On 4 February 2016, CCBI, Grand Prosperity, the Company, Mr. Zeng Yunshu and Mr. Zeng Sheng entered into a settlement deed (the "Settlement Deed") pursuant to which the parties to the Settlement Deed agreed that, in full and final settlement of the dispute in the Action (including legal costs incurred by CCBI in connection with the Action and interest):

(a) each of Grand Prosperity, Mr. Zeng Yunshu and Mr. Zeng Sheng shall jointly and severally pay a total sum of HK$25 million to CCBI, of which HK$3 million shall be payable within one business day of execution of the Settlement Deed (the "First Payment") and the remaining balance of HK$22 million shall be payable on 31 December 2016;

(b) each of Grand Prosperity, Mr. Zeng Yunshu and Mr. Zeng Sheng shall jointly and severally indemnify and keep indemnified CCBI against any liabilities, losses, damages, claims, costs and expenses incurred or suffered by CCBI (including but not limited to all legal expenses and other professional fees on a full indemnity basis) as a result of or in connection with CCBI's enforcement of paragraph (a) above in the event of any non-payment; and

(c) CCBI shall on due performance by Grand Prosperity, Mr. Zeng Yunshu and/or Mr. Zeng Sheng, as the case may be, of paragraph (a) above (the "Settlement Date"), transfer a total of 8 million shares in the Company (the "Settlement Shares") to Grand Prosperity (or a nominee designated by Grand Prosperity), free from any encumbrances and with all rights attached to the Settlement Shares in accordance with the terms of the Settlement Deed.

Pursuant to the Settlement Deed, in consideration of the due performance by Grand Prosperity, Mr. Zeng Yunshu and/or Mr. Zeng Sheng, as the case may be, and CCBI of their obligations above, among others, each of Grand Prosperity, the Company, Mr. Zeng Yunshu and Mr. Zeng Sheng has waived any and all legal and beneficial rights to the remaining 18 million shares in the Company held by CCBI as at the date after the Settlement Date, including any and all actual or potential rights and claims, whether present or future and whether known or unknown to them, of whatsoever nature which any of them now has, or thereafter may have, against CCBI in respect of such shares.

The parties to the Settlement Deed further agreed that upon due performance by Grand Prosperity, Mr. Zeng Yunshu and/or Mr. Zeng Sheng, as the case may be, of its payment of the First Payment, the parties, through their solicitors, shall forthwith sign and the solicitors for CCBI shall forthwith file in the Action a consent summons for an order by consent that, among others, CCBI's claim against Grand Prosperity, the Company, Mr. Zeng Yunshu and Mr. Zeng Sheng and Grand Prosperity's counterclaim against CCBI in the Action be dismissed, with no order as to costs as between them and without further order of the court, save that the costs of the Company be paid by Grand Prosperity, Mr. Zeng Yunshu and Mr. Zeng Sheng in equal share in any event to be taxed if not agreed. The consent summons was filed on 5 February 2016.

Details of the Action and the Settlement Deed, please refer to the announcements of the Company dated 14 December 2012, 14 February 2013 and 11 February 2016 respectively.

## EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The auditor expressed an unqualified opinion but modified the auditor's report by adding a material uncertainty related to going concern paragraph to draw attention to the material uncertainty. The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2016.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Material Uncertainty Related to Going Concern

We draw attention to note 3 in the consolidated financial statements which indicates that the Group has sustained losses for 4 consecutive years and incurred a loss of approximately RMB490,508,000 for the year ended 31st December 2016 and has net current liabilities of approximately RMB91,559,000 at the end of the reporting period. As stated in note 3, these conditions, along with other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## REVIEW AND OUTLOOK

The Chinese government continued to implement a relatively loose credit policies, coupled with the reduction of stamp duty rates and lowered the proportion of down payments of the properties prices in the cities without home purchase restriction. Those policies have led to the real estate market continues to heat up during the year of 2016 and properties price went up along with the sales volume.

The Group has started to deliver Le Paysage to buyers since the fourth quarter of 2014. With the heating up of Shenzhen property market and we began to deliver the boutique high-rise building residential units, the gross profit margin in property development segment has increased from 39.04% in the year of 2015 to 42.85% in the year 2016.

Looking ahead, we expect the government policies will remain unchanged and the local government will fine-tune and introduce targeted policies based on growth properties stock, properties prices and land prices. Given that the accumulated properties stock in the first and second-tier cities in China have fallen to the ideal range, we remain optimistic to the market conditions in the year of 2017 and expected that there is still room for increase in 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.

During the year ended 31 December 2016, the Group completed the acquisition of Sun Travel, which is principally engaged in the provision of travel-related products and services. On 6 February 2017, Sun Travel entered into an agreement with Sun City Gaming Promotion in relation to the procurement of the provision of hotel accommodation and related services. It is expected that Sun Travel will provide an additional revenue stream to the Group.

During the year ended 31 December 2016, SGMCL was established and is aimed to provide consultancy, advisory and technical services for large scale resorts and/or gaming and entertainment facilities in places with rapid growth in the tourism industry. On 27 February 2017, SGMCL entered into a non-legally binding memorandum of understanding with an independent third party regarding the provision of consultancy and management services to an integrated resort project in Vietnam.

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.

## FINANCIAL REVIEW

**Turnover:** Turnover comprised of sales proceeds of properties delivered, property leasing income, hotel and integrated resort management and consultancy services income and travel agency service income. The turnover in 2016 increased 52.67% when compared with 2015. In respect of sales proceed of properties delivered, we have delivered residential units of approximately 24,351$m^2$ (2015: 18,842$m^2$) gross floor area ("**GFA**"), which including high-rise building units of approximately 13,868$m^2$ (2015: 15,779$m^2$) GFA, luxury high-rise building units of approximately 7,316$m^2$ (2015: 2,073$m^2$) GFA and villa of approximately 3,167$m^2$ (2015: 990$m^2$) GFA in 2016. The travel agency service is a new business of the Group and has generated turnover of approximately RMB1.24 million since the commencement of business in September 2016.

**Other net expenses:** In 2016, other net expenses was mainly attributable to the net exchange loss. The Group has a number of liabilities denominated in Hong Kong dollars (including in bank and other borrowings of approximately HK$1,295.87 million). Due to the depreciation of the Renminbi during the year, the Group is therefore required to recognise the net exchange loss of approximately RMB81.55 million.

**Selling and distribution expenses:** The increase in 2016 was mainly due to the increase in advertising and commission expenses for the sales of Le Paysage.

**General and administration expenses:** The increase in 2016 was mainly due to the increase in utilities charges in Le Paysage.

**Other operating expenses:** The increase in 2016 was mainly due to the increase in impairment loss recognised in respect of trade and other receivables amounting to approximately RMB316 million. The Group assessed the carrying amount and the recoverable amount of each individual receivable at the reporting date to ensure the carrying amount would not exceed its recoverable amount.

**Increase in fair value of investment properties:** The increase in 2016 was mainly due to the prevailing market conditions.

**Impairment loss on inventories:** The amount represented the impairment loss recognised for the difference between the inventory cost and its net realisable value, as assessed by an independent valuer.

**Finance costs:** The decrease in 2016 was mainly due to the decrease of interest-bearing loans during the year.

**Change in fair value of financial derivatives:** In December 2016, the Company issued convertible bonds of HK$570 million to Fame Select Limited, the major shareholder of the Company. The change in fair value, as assessed by an independent valuer, of derivative component has been recognised in the consolidated statement of profit or loss. It is a non-cash item.

**Impairment loss recognised in respect of goodwill:** Represented the impairment loss recognised on the goodwill arising from the acquisition of the subsidiary, Sun Travel.

**Gain on disposal of subsidiaries:** Represented the gain recognised on the disposal of subsidiaries, Vanilla Rose Investments Limited together with its subsidiaries to an independent third party.

**Income tax expense:** Income tax expense included current tax and deferred tax. The increase of current tax was mainly due to the increase of corporate income tax and LAT implication on the recognition of sales of stock properties in Le Paysage and the recognition of the corresponding profits. The decrease of deferred tax was mainly due to the decrease of deferred tax implication on the increase in fair value of investment properties arose during the year.

## SEGMENT ANALYSIS

In 2016, property development income, property leasing income, hotel and integrated resort management and consultancy services income and travel agency services income accounted for approximately 94.56% (2015: 91.93%), 5.33% (2015: 7.99%), 0.00% (2015: 0.08%) and 0.11% (2015: 0.00%) of the total revenue respectively.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Total bank balances and cash and pledged deposits as at 31 December 2016 amounted to approximately RMB145.07 million (2015: RMB30.43 million) which included approximately RMB55.48 million, US$0.01 million, MOP0.02 million and HK$98.25 million respectively.

The Group had total borrowings of approximately RMB1,165.14 million as at 31 December 2016 (2015: RMB2,038.26 million) of which approximately RMB270.00 million were repayable on demand or within one year; approximately RMB490.14 million were repayable in the second year; approximately RMB130.00 million were repayable in the third to fifth years, inclusive; and the remainings were repayable after the fifth 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 31 December 2016 was 37.83% (2015: 55.28%).

As at 31 December 2016, the Group had current assets of approximately RMB1,344.83 million (2015: RMB1,991.89 million) and current liabilities of approximately RMB1,436.39 million (2015: RMB2,789.11 million).

## CHARGE ON ASSETS

As at 31 December 2016, bank and other borrowings of approximately RMB680.00 million were secured by investment properties, certain inventories and pledged deposits of the Group of approximately RMB1,732.00 million, RMB488.54 million and RMB1.34 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$503.23 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 financial position exposure as at 31 December 2016.

## CONTINGENT LIABILITIES

For the details of contingent liabilities, please refer to the note 11 of this announcement.

## TREASURY POLICIES AND CAPITAL STRUCTURE

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

## EMPLOYEES

As at 31 December 2016, the Group had a staff force of approximately 250 employees. Of this, most were stationed in the PRC. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives (such as Share Option Scheme). Total staff costs incurred for the year 2016 was approximately RMB34.17 million.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year 2016 (2015: 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 providing hotel and integrated resort management and consultancy service and travel agency service.

### Property 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 GFA of approximately 135,000$m^2$. 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.

As of 31 December 2016, total contracted sum of sales and purchase agreements entered for Le Paysage is approximately RMB3,204.15 million of which RMB2,729.70 million has been recognised as sales. The balance of approximately RMB474.45 million is expected to be recognised as sales in the year of 2017 upon certain recognition citeria fulfilled.

#### *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 116,000$m^2$. 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 Group. The commercial portion of Hong Long Plaza, namely Gang Long City Shopping Centre, comprise 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 Group.

**Hotel and Integrated Resort Management and Consultancy**

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

Following the introduction of tourism style property development, the Group acquired a subsidiary group in 2014 which is principally engaged in operating hotel consultancy service in the PRC. For the years of 2014, 2015 and 2016, the subsidiary group recorded a loss of approximately of RMB4.62 million, RMB1.4 million and RMB0.02 million respectively.

During the year of 2016, an indirect wholly-owned subsidiary, SGHCL, has been set up for the opportunities of hotel and integrated resorts in the Asian countries, such as Korea, Malaysia and Vietnam. Subsequent to the year end of 2016, SGHCL entered a non-legally binding memorandum of understanding with an independent third party, regarding the provision of consultancy and management services to an integrated resort project to be developed in Vietnam.

**Travel Agency Service**

In July 2016, the Group entered into a sales and purchase agreement to acquire the entire issued capital of Sun Travel, a company incorporated in Macau with limited liabilities to diversify its business to the tourism related services business.

During the year 2016, travel agency service has generated of approximately RMB1.24 million in turnover since the acquisition of Sun Travel completed on 31 August 2016.

Subsequent to the end of reporting period, Sun Travel enter 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 Cheok Wa ("Mr. Chau"), the Chairman of the Company.

Pursuant to the hotel accommodation procurement agreement, Sun Travel Limited 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 Company Limited 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.

## SOCIAL RESPONSIBILITY

The Group is committed to bear its social responsibility and contribute to the weak and poor. The employees of the Group have actively participated in various charity activities involving cultural education, disaster relief, environmental protection, health and hygiene, as well as public transportation of the municipal. The Group will continue to promote our corporate culture of dedicating sincerity and love to the community internally, and bear our related social responsibility.

## 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 year.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2016 except the following deviations:

In respect of Code provision A.6.7 and E.1.2 of the Code, Mr. Chau, the chairman of the Board, Mr. Lo Wai Tung John, the chairman of remuneration committee and an independent non-executive Director and Mr. Tou Kin Chuen ("Mr. Tou"), the chairman of audit committee and an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 2 June 2016 due to other business engagement. In addition, Mr. Chau, Mr. Tou and Dr. Wu Kam Fun Roderick, the chairman of nomination committee and an independent non-executive Director, were unable to attend the extraordinary general meeting of the Company held on 14 November 2016 due to other business engagement.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise interests of the shareholders of the Company.

Details of the Company's corporate governance practices will be set out in the Company's 2016 annual report.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year ended 31 December 2016.

## AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, financial control, risk management and internal controls systems. The consolidated results of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely Mr. Tou Kin Chuen (Chairman), Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John. All of them are independent non-executive Directors.

## SCOPE OF WORK OF ANDES GLACIER CPA LIMITED

The figures in respect of the announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, Andes Glacier CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Andes Glacier CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Andes Glacier CPA Limited on the results announcement.

**PUBLICATION OF THE ANNUAL RESULTS AND 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sun1383.com). The Company's 2016 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 March 2017

*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. Lo Kai Bong; and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.*