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## **SUNWAY INTERNATIONAL HOLDINGS LIMITED**

**新威國際控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock code: 58)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **HIGHLIGHTS**

- Revenue from continuing operations for the year ended 31 December 2016 was HK\$245,627,000, compared to HK\$343,526,000 in last year, representing a decrease of HK\$97,899,000.
- Gross profit from continuing operations for the year ended 31 December 2016 was HK\$57,198,000, compared to HK\$66,065,000 in last year, representing a decrease of HK\$8,867,000.
- Profit for the year ended 31 December 2016 from discontinued operations was Nil compared to HK\$484,073,000 for the year ended 31 December 2015.
- Loss attributable to owners of the Company was HK\$183,049,000, compared to a profit of HK\$390,554,000 (restated) reported last year, representing a decrease of HK\$573,603,000.
- Loss per share attributable to owners of the Company amounted to HK5 cents, compared to earning per share of HK17 cents (restated) last year, was decreased by HK22 cents.
- No final dividend was proposed for the year ended 31 December 2016 (2015: Nil).

\* For identification purposes only

The Board of Directors (the “Board”) of Sunway International Holdings 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, together with the comparative amounts for the year ended 31 December 2015, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
<b>CONTINUING OPERATIONS</b>			
REVENUE		<b>245,627</b>	343,526
Cost of sales		<b>(188,429)</b>	(277,461)
Gross profit		<b>57,198</b>	66,065
Other income		<b>3,150</b>	845
Other gains and losses, net	5	<b>(98,033)</b>	(59,243)
Selling and distribution expenses		<b>(22,451)</b>	(26,598)
Administrative expenses		<b>(90,285)</b>	(37,125)
Other expenses		<b>(25,776)</b>	(8,268)
Finance costs		<b>(2,874)</b>	(9,737)
LOSS BEFORE TAX	6	<b>(179,071)</b>	(74,061)
Income tax expense	7	<b>(1,541)</b>	(9,325)
Loss for the year from continuing operations		<b>(180,612)</b>	(83,386)
<b>DISCONTINUED OPERATIONS</b>			
Profit for the year from discontinued operations	8	<b>–</b>	484,073
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(180,612)</b>	400,687

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(continued)*  
*Year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i> (Restated)
(Loss)/profit for the year attributable to:			
Owners of the Company			
— continuing operations		<b>(183,049)</b>	(93,519)
— discontinued operations		<u>          —</u>	<u>484,073</u>
		<b>(183,049)</b>	390,554
Non-controlling interests			
— continuing operations		<u>2,437</u>	<u>10,133</u>
		<b><u>(180,612)</u></b>	<b><u>400,687</u></b>
(Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company for the year			(Restated)
Basic and diluted	<i>10</i>		
— continuing operations		<b>HK(5 cents)</b>	HK(4 cents)
— discontinued operations		<u>          —</u>	<u>HK21 cents</u>
		<b><u>HK(5 cents)</u></b>	<b><u>HK17 cents</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2016*

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(180,612)</b>	400,687
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Items that may be subsequently reclassified to profit or loss:		
Available-for-sale financial assets:		
Change in fair value, net of tax	–	18
Reclassification adjustment for gain on disposal included in consolidated statement of profit or loss	–	(2,685)
	–	(2,667)
Exchange differences on translation of foreign operations	<b>(4,573)</b>	(5,796)
Reclassification adjustment for exchange fluctuation reserve upon disposal of subsidiaries	–	(249,713)
	<b>(4,573)</b>	(258,176)
Items that will not be reclassified to profit or loss:		
Revaluation of items of property, plant and equipment	<b>8,380</b>	7,318
Tax effect of revaluation of items of property, plant and equipment	<b>(2,095)</b>	(993)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b>1,712</b>	(251,851)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<b>(178,900)</b>	148,836
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	<b>(180,569)</b>	140,750
Non-controlling interests	<b>1,669</b>	8,086
	<b>(178,900)</b>	148,836

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		<b>31 December 2016</b>	31 December 2015	1 January 2015
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		<b>106,957</b>	131,297	167,555
Intangible assets		<b>11,786</b>	33	80
Prepaid land lease payments		<b>23,064</b>	31,897	34,217
Goodwill		<b>20,982</b>	84,421	84,421
Available-for-sale financial assets		–	–	1,037
Derivative instruments	<i>11</i>	–	13,695	43,452
Deposit paid for acquisition of a subsidiary		–	1,000	–
Deposits paid for acquisition of non-current assets		–	–	10,719
Deferred tax assets		<b>8,402</b>	6,148	4,220
Total non-current assets		<b>171,191</b>	268,491	345,701
<b>CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss		–	571	–
Inventories		<b>13,634</b>	10,991	22,235
Trade and bill receivables	<i>12</i>	<b>212,396</b>	124,930	171,596
Prepayments, deposits and other receivables	<i>13</i>	<b>89,787</b>	124,511	142,973
Restricted bank deposits		<b>61</b>	367	–
Pledged bank deposits		–	1,313	7,485
Cash and cash equivalents		<b>46,107</b>	22,802	20,529
		<b>361,985</b>	285,485	364,818
Assets classified as held-for-sale		<b>17,451</b>	–	958,525
Total current assets		<b>379,436</b>	285,485	1,323,343

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*  
*As at 31 December 2016*

		<b>31 December 2016</b>	31 December 2015	1 January 2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
<b>CURRENT LIABILITIES</b>				
Trade and bill payables	14	<b>39,046</b>	44,065	104,831
Other payables, accruals and deposits received		<b>55,080</b>	38,777	28,876
Amount due to a non-controlling shareholder		<b>11,655</b>	1,258	80,399
Interest-bearing borrowings		<b>12,566</b>	27,164	112,216
Tax payable		<b>5,380</b>	6,808	9,316
		<u><b>123,727</b></u>	<u>118,072</u>	<u>335,638</u>
Liabilities classified as held-for-sale		–	–	892,135
Total current liabilities		<u><b>123,727</b></u>	<u>118,072</u>	<u>1,227,773</u>
<b>NET CURRENT ASSETS</b>		<u><b>255,709</b></u>	<u>167,413</u>	<u>95,570</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>426,900</b></u>	<u>435,904</u>	<u>441,271</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities		<b>7,209</b>	6,621	6,216
Provision for long service payment		<b>33</b>	26	210
Interest-bearing borrowings		<b>15,080</b>	18,507	29,003
Other payable		–	–	129,089
Promissory note		–	–	78,559
Total non-current liabilities		<u><b>22,322</b></u>	<u>25,154</u>	<u>243,077</u>
<b>NET ASSETS</b>		<u><b>404,578</b></u>	<u>410,750</u>	<u>198,194</u>
<b>EQUITY</b>				
Share capital		<b>44,842</b>	174,576	143,430
Convertible notes	15	<b>12,600</b>	54,597	75,595
Reserves		<b>284,915</b>	121,025	(74,317)
Equity attributable to owners of the Company		<b>342,357</b>	350,198	144,708
Non-controlling interests		<b>62,221</b>	60,552	53,486
Total equity		<u><b>404,578</b></u>	<u>410,750</u>	<u>198,194</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Sunway International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and the issued shares of which are listed on main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Unit 1902, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong. During the year, the Company’s principal activity is investment holding.

The Group is principally engaged in manufacturing and trading of pre-stressed steel bar, pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products and provision of financial services.

As stated in the announcement of the Company dated 30 January 2015, the Company had completed the disposal of the electronic business. Upon completion, the Group ceased to be engaged in design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (2) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and digital products).

### 2. RETROSPECTIVE RESTATEMENT

#### **Profit guarantee and contingent consideration**

On 3 October 2013, the Company entered into a sale and purchase agreement (the “SPA”) with a vendor, Mr. Xiao Guang Kevin (the “Vendor”) and a guarantor, Mr. Wang Zhining (collectively referred to as the “Guarantors”), for the acquisition of 100% equity interest of Joint Expert Global Limited (“Joint Expert”) and its subsidiaries (collectively referred to as the “Target Group”). The transaction was completed on 2 May 2014 (the “Completion Date”). Pursuant to the SPA, the Guarantors guaranteed to the Company that the annual net profit of the Target Group as shown on the audited consolidated financial statements of the Target Group for the financial years ended 31 December 2014, 2015 and 2016 shall not be less than RMB30 million (the “Guaranteed Profit”). If the Guaranteed Profit could not be achieved, the Guarantors should pay the deficient amount, which is equal to the difference between the Guaranteed Profit and the audited after-tax net profit/loss, in cash.

The convertible notes with a principal amount of HK\$100 million as disclosed in note 15 were pledged by the Vendor to the Company as collateral for the Guaranteed Profit. In the event that the Guarantors have defaulted in paying the deficient amount, the Group has the right to sell the pledged convertible notes and offset the receivable of the deficient amount with the proceeds of such sale.

As at the Completion Date, the fair value of the contingent consideration of HK\$52,067,000 was estimated by applying the income approach.

## 2. RETROSPECTIVE RESTATEMENT *(continued)*

### **Profit guarantee and contingent consideration *(continued)***

The Target Group generated net profit of HK\$27,529,000 (equivalent to RMB21,831,000) and suffered a net loss of HK\$89,753,000 (equivalent to RMB72,091,000) for the years ended 31 December 2014 and 2015 respectively. According to the SPA, the Group is entitled to receive compensations of HK\$10,301,000 (equivalent to RMB8,169,000) and HK\$121,897,000 (equivalent to RMB102,091,000) for the years ended 31 December 2014 and 2015 respectively, an aggregate amount of HK\$132,198,000 (equivalent to RMB110,260,000) (the “Compensation”) from the Guarantors up to 31 December 2015 as the Guaranteed Profit could not be met. However, the Guarantors have not honoured the obligation of paying the Compensation to the Group. The Group has commenced legal proceedings in the High Court of Hong Kong against the Guarantors for misrepresentation and rescinding the SPA, refund of considerations paid, and further or in the alternative, damages for breach of the SPA or misrepresentation to be assessed. Up to the date of this announcement, the said legal proceedings have not yet been concluded. Notwithstanding, the Group holds the convertible notes as collateral over the Compensation. The directors of the Company are of the opinion that the legal disputes with the Guarantors indicate there are uncertainties as to the recoverability of the Compensation and contingent consideration. Therefore, the Group did not recognise the receivables of the Compensation during the years ended 31 December 2014 and 2015. The contingent consideration was also fully impaired and the impairment loss of HK\$13,695,000 was charged to the consolidated statement of profit or loss for the year ended 31 December 2015.

Despite the legal disputes with the Guarantors, the Group should have exercised the right to sell the pledged convertible notes and to partially offset the receivables of the Compensation with the proceeds of such sale in prior years in accordance with the SPA. Therefore, the Company has made a retrospective restatement to recognise the receivables of the Compensation of HK\$10,301,000 and HK\$132,198,000 as at 1 January 2015 and 31 December 2015, a fair value gain on the contingent consideration of HK\$121,897,000 and to reverse the overstated impairment loss on the contingent consideration of HK\$13,695,000 during the year ended in 2015. The convertible notes have been treated as redeemed by the Company at fair value of HK\$89,155,000 as at 31 December 2016. Therefore an impairment loss on the Compensation receivables of HK\$43,043,000 should have been recorded during the year ended 31 December 2015.

The following tables disclose the restatements that have been made in order to reflect the above corrections to each of the line items in the consolidated statement of profit or loss and other comprehensive income as previously reported for the year ended 31 December 2015 and consolidated statement of financial position as at 31 December 2015 and 1 January 2015 as previously reported.



## 2. RETROSPECTIVE RESTATEMENT *(continued)*

### Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	As previously reported <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	343,526	–	343,526
Cost of sales	<u>(277,461)</u>	<u>–</u>	<u>(277,461)</u>
Gross profit	66,065	–	66,065
Other income	845	–	845
Other gains and losses, net	(151,792)	92,549	(59,243)
Selling and distribution expenses	(26,598)	–	(26,598)
Administrative expenses	(37,125)	–	(37,125)
Other expenses	(8,268)	–	(8,268)
Finance costs	<u>(9,737)</u>	<u>–</u>	<u>(9,737)</u>
<b>Loss before tax</b>	(166,610)	92,549	(74,061)
Income tax expense	<u>(9,325)</u>	<u>–</u>	<u>(9,325)</u>
Loss for the year from continuing operations	(175,935)	92,549	(83,386)
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	<u>484,073</u>	<u>–</u>	<u>484,073</u>
<b>Profit for the year</b>	<u>308,138</u>	<u>92,549</u>	<u>400,687</u>
Other comprehensive (loss)/income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Available-for-sale financial assets:			
— Change in fair value, net of tax	18	–	18
— Reclassification adjustment for gain on disposal included in consolidated statement of profit or loss	<u>(2,685)</u>	<u>–</u>	<u>(2,685)</u>
	(2,667)	–	(2,667)
Exchange differences on translation of foreign operations	(5,796)	–	(5,796)
Reclassification adjustment for exchange fluctuation reserve upon disposal of subsidiaries	<u>(249,713)</u>	<u>–</u>	<u>(249,713)</u>
	(258,176)	–	(258,176)
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of items of property, plant and equipment, net of tax	<u>6,325</u>	<u>–</u>	<u>6,325</u>
Other comprehensive loss for the year, net of tax	<u>(251,851)</u>	<u>–</u>	<u>(251,851)</u>
Total comprehensive income for the year	<u><u>56,287</u></u>	<u><u>92,549</u></u>	<u><u>148,836</u></u>

2. **RETROSPECTIVE RESTATEMENT** *(continued)*

**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015** *(continued)*

	As previously reported <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>(Loss)/profit for the year attributable to:</b>			
<b>Owners of the Company:</b>			
— Continuing operations	(186,068)	92,549	(93,519)
— Discontinued operations	484,073	—	484,073
	298,005	92,549	390,554
<b>Non-controlling interests</b>			
— Continuing operations	10,133	—	10,133
	<u>308,138</u>	<u>92,549</u>	<u>400,687</u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company	48,201	92,549	140,750
Non-controlling interests	8,086	—	8,086
	<u>56,287</u>	<u>92,549</u>	<u>148,836</u>

## 2. RETROSPECTIVE RESTATEMENT (continued)

### Consolidated statement of financial position as at 31 December 2015

	As previously reported <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	131,297	–	131,297
Intangible assets	33	–	33
Prepaid land lease payments	31,897	–	31,897
Goodwill	84,421	–	84,421
Derivative instruments	–	13,695	13,695
Deposit paid for acquisition of a subsidiary	1,000	–	1,000
Deferred tax assets	6,148	–	6,148
	<u>254,796</u>	<u>13,695</u>	<u>268,491</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	571	–	571
Inventories	10,991	–	10,991
Trade and bill receivables	124,930	–	124,930
Prepayments, deposits and other receivables	35,356	89,155	124,511
Restricted bank deposits	367	–	367
Pledged bank deposits	1,313	–	1,313
Cash and cash equivalents	22,802	–	22,802
	<u>196,330</u>	<u>89,155</u>	<u>285,485</u>
<b>Current liabilities</b>			
Trade and bill payables	44,065	–	44,065
Other payables, accruals and deposits received	38,777	–	38,777
Amount due to a non-controlling shareholder	1,258	–	1,258
Interest-bearing borrowings	27,164	–	27,164
Tax payable	6,808	–	6,808
	<u>118,072</u>	<u>–</u>	<u>118,072</u>
<b>Net current assets</b>	<u>78,258</u>	<u>89,155</u>	<u>167,413</u>
<b>Total assets less current liabilities</b>	<u>333,054</u>	<u>102,850</u>	<u>435,904</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	6,621	–	6,621
Provision for long service payment	26	–	26
Interest-bearing borrowings	18,507	–	18,507
	<u>25,154</u>	<u>–</u>	<u>25,154</u>
<b>NET ASSETS</b>	<u><u>307,900</u></u>	<u><u>102,850</u></u>	<u><u>410,750</u></u>

## 2. RETROSPECTIVE RESTATEMENT *(continued)*

### Consolidated statement of financial position as at 31 December 2015 *(continued)*

	As previously reported <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	174,576	–	174,576
Convertible notes	54,597	–	54,597
Reserves	18,175	102,850	121,025
	<hr/>	<hr/>	<hr/>
Equity attributable to owners of the Company	247,348	102,850	350,198
Non-controlling interests	60,552	–	60,552
	<hr/>	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<u>307,900</u>	<u>102,850</u>	<u>410,750</u>

## 2. RETROSPECTIVE RESTATEMENT (continued)

### Consolidated statement of financial position as at 1 January 2015

	As previously reported <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	167,555	–	167,555
Intangible assets	80	–	80
Prepaid land lease payments	34,217	–	34,217
Goodwill	84,421	–	84,421
Available-for-sale financial assets	1,037	–	1,037
Derivative instruments	43,452	–	43,452
Deposit paid for acquisition of non-current assets	10,719	–	10,719
Deferred tax assets	4,220	–	4,220
	<u>345,701</u>	<u>–</u>	<u>345,701</u>
<b>Current assets</b>			
Inventories	22,235	–	22,235
Trade and bill receivables	171,596	–	171,596
Prepayments, deposits and other receivables	132,672	10,301	142,973
Pledged bank deposits	7,485	–	7,485
Cash and cash equivalents	20,529	–	20,529
	<u>354,517</u>	<u>10,301</u>	<u>364,818</u>
Assets classified as held-for-sale	958,525	–	958,525
	<u>1,313,042</u>	<u>10,301</u>	<u>1,323,343</u>
<b>Current liabilities</b>			
Trade and bill payables	104,831	–	104,831
Other payables, accruals and deposits received	28,876	–	28,876
Amount due to a non-controlling shareholder	80,399	–	80,399
Interest-bearing borrowings	112,216	–	112,216
Tax payable	9,316	–	9,316
	<u>335,638</u>	<u>–</u>	<u>335,638</u>
Liabilities classified as held-for-sale	892,135	–	892,135
	<u>1,227,773</u>	<u>–</u>	<u>1,227,773</u>
<b>Net current assets</b>	<u>85,269</u>	<u>10,301</u>	<u>95,570</u>
<b>Total assets less current liabilities</b>	<u>430,970</u>	<u>10,301</u>	<u>441,271</u>

## 2. RETROSPECTIVE RESTATEMENT (continued)

### Consolidated statement of financial position as at 1 January 2015 (continued)

	As previously reported HK\$'000	Effect of prior year's adjustments HK\$'000	As restated HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities	6,216	–	6,216
Provision for long service payment	210	–	210
Interest-bearing borrowings	29,003	–	29,003
Other payable	129,089	–	129,089
Promissory note	78,559	–	78,559
	<u>243,077</u>	<u>–</u>	<u>243,077</u>
<b>NET ASSETS</b>	<u>187,893</u>	<u>10,301</u>	<u>198,194</u>
<b>Capital and reserves</b>			
Share capital	143,430	–	143,430
Convertible notes	75,595	–	75,595
Reserves	(84,618)	10,301	(74,317)
	<u>134,407</u>	<u>10,301</u>	<u>144,708</u>
Equity attributable to owners of the Company	134,407	10,301	144,708
Non-controlling interests	53,486	–	53,486
	<u>187,893</u>	<u>10,301</u>	<u>198,194</u>
<b>TOTAL EQUITY</b>	<u>187,893</u>	<u>10,301</u>	<u>198,194</u>

## 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment, derivative instruments and financial assets at fair value through profit or loss (“FVTPL”) which are carried at their fair values. These consolidated financial statements are presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements.

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

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

#### 4. OPERATING SEGMENT INFORMATION

During the year, the Group has been granted a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and commenced money lending business in Hong Kong; the Group has acquired two subsidiaries which engage in Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), respectively. These are classified as financial services segment.

For management purpose, the Group has five reportable operating segments as follows:

##### **Continuing operations**

- (a) Manufacture and sale of PC steel bars (the “PC steel bar”);
- (b) Manufacture and sale of pre-stressed high-strength concrete piles, ready mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products (the “PHC piles and others”);
- (c) Money lending, provision of asset management services and securities brokerage services (the “Financial services”).

##### **Discontinued operations**

- (d) Design, development, manufacture and sale of electronic components and parts (the “Electronic components and parts”); and
- (e) Design, development, manufacture and sale of consumer electronic products (the “Consumer electronic products”).

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reporting segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that unallocated head office and corporate expenses, bank interest income, other gains and losses, finance costs are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets exclude goodwill, derivative instruments, deferred tax assets, financial assets at fair value through profit or loss (“FVTPL”), restricted bank deposits, pledged bank deposits, cash and cash equivalents and unallocated head office and corporate assets as these assets are managed on a group basis. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment liabilities exclude promissory note, other payable, tax payable, deferred tax liabilities, interest-bearing borrowings and unallocated head office and corporate liabilities, as these liabilities are managed on a group basis. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

#### 4. OPERATING SEGMENT INFORMATION (continued)

##### (a) Segment results, segment assets and liabilities

For the year ended 31 December 2016	PC steel bar HK\$'000	PHC piles and others HK\$'000	Financial services HK\$'000	Total HK\$'000	
Segment revenue					
Revenue from external customer	–	242,146	3,481	245,627	
Reportable segment (loss)/profit from operations	(27,453)	13,506	(4,197)	(18,144)	
Reconciliation:					
Bank interest income				60	
Other income, other gains and losses				(78,175)	
Finance costs				(2,874)	
Unallocated head office and corporate expenses				(79,938)	
Loss before tax				(179,071)	
<b>As at 31 December 2016</b>					
Segment assets	26,517	307,219	137,262	470,998	
Segment liabilities	45,087	56,748	204	102,039	
For the year ended 31 December 2016	PC steel bar HK\$'000	PHC piles and others HK\$'000	Financial services HK\$'000	Corporate/ unallocated Hk\$'000	Total HK\$'000
Other segment information:					
Capital expenditure	–	4,870	1,056	4	5,930
Depreciation	936	18,249	31	373	19,589
Amortisation of prepaid land lease payments	250	558	–	–	808
Amortisation of intangible assets	–	32	–	–	32
Provision for impairment of trade receivables, net	(84)	(3,223)	–	–	(3,307)
Provision for impairment of prepayments, deposits and other receivables, net	(18)	(6,989)	–	–	(7,007)



#### 4. OPERATING SEGMENT INFORMATION (continued)

##### (a) Segment results, segment assets and liabilities (continued)

For the year ended 31 December 2015	Continuing operations				Discontinued operations			Total HK\$'000 (Restated)
	PC steel bar HK\$'000	PHC piles and others HK\$'000	Sub-total HK\$'000 (Restated)	Electronic components and parts HK\$'000	Consumer electronic products HK\$'000	Sub-total HK\$'000		
Segment revenue								
Revenue	17,185	329,875	347,060	27,736	28,551	56,287	403,347	
Elimination	(3,534)	—	(3,534)	—	—	—	(3,534)	
Revenue from external customer	<u>13,651</u>	<u>329,875</u>	<u>343,526</u>	<u>27,736</u>	<u>28,551</u>	<u>56,287</u>	<u>399,813</u>	
Reportable segment (loss)/ profit from operations	<u>(115,917)</u>	<u>41,009</u>	<u>(74,908)</u>	<u>(9,975)</u>	<u>(8,183)</u>	<u>(18,158)</u>	<u>(93,066)</u>	
Reconciliation:								
Bank and other interest income			13			1	14	
Other income, other gains and losses			34,719			2,570	37,289	
Finance costs			(9,737)			(1,840)	(11,577)	
Unallocated head office and corporate expenses			(24,148)			(5)	(24,153)	
Loss before tax			<u>(74,061)</u>			<u>(17,432)</u>	<u>(91,493)</u>	
As at 31 December 2015								
Segment assets	<u>19,325</u>	<u>311,294</u>	<u>330,619</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>330,619</u>	
Segment liabilities	<u>27,603</u>	<u>55,055</u>	<u>82,658</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>82,658</u>	
	Continuing operations				Discontinued operations			Total HK\$'000
	PC steel bar HK\$'000	PHC piles and others HK\$'000	Corporate/ unallocated HK\$'000	Sub-total HK\$'000	Electronic components and parts HK\$'000	Consumer electronic products HK\$'000	Sub-total HK\$'000	
Other segment information:								
Capital expenditure*	(30)	(409)	(2,319)	(2,758)	(663)	(501)	(1,164)	(3,922)
Depreciation	(5,479)	(18,920)	(175)	(24,574)	(3,148)	(2,356)	(5,504)	(30,078)
Provision for impairment of property, plant and equipment	(6,124)	(956)	—	(7,080)	—	—	—	(7,080)
Write off of property, plant and equipment	(121)	(3)	—	(124)	—	—	—	(124)
Amortisation of prepaid land lease payments	(267)	(594)	—	(861)	(101)	(70)	(171)	(1,032)
Amortisation of intangible asset	—	(45)	—	(45)	—	—	—	(45)
Write down of inventories to net realisable value	(2,476)	(723)	—	(3,199)	(596)	—	(596)	(3,795)
Provision for impairment of trade receivables	(7,988)	(7,512)	—	(15,500)	(589)	(447)	(1,036)	(16,536)
Reversal of impairment of trade receivables	4,007	4,185	—	8,192	53	—	53	8,245
Write off of trade receivables	(1,218)	—	—	(1,218)	(245)	(186)	(431)	(1,649)
Provision for impairment of other receivables	(67,614)	(556)	—	(68,170)	—	—	—	(68,170)
Reversal of impairment of other receivables	<u>296</u>	<u>763</u>	<u>—</u>	<u>1,059</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,059</u>

#### 4. OPERATING SEGMENT INFORMATION *(continued)*

##### (b) Geographical information

The geographical location of revenue information is based on the locations of customers at which the goods delivered or the locations of service provided. The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

##### (i) Revenue from external customers

	Continuing operations		Discontinued operations	
	Year ended 31 December			
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	3,481	–	–	670
The PRC**	242,146	343,526	–	43,123
Other Asian countries	–	–	–	1,973
American countries	–	–	–	9,519
European countries	–	–	–	310
African countries	–	–	–	692
	<u>245,627</u>	<u>343,526</u>	<u>–</u>	<u>56,287</u>

##### (ii) Non-current assets

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	15,627	16,839
The PRC**	155,564	251,652
	<u>171,191</u>	<u>268,491</u>

\*\* excluding Hong Kong for the purpose of this announcement

##### (c) Information about a major customer

For the year ended 31 December 2016, the Group had no transactions with customer which contributed over 10% of the Group's total revenue. For the year ended 31 December 2015, the Group had transactions with one customer, which contributed over 10% of the Group's total revenue from continuing operations. The total revenue earned from this customer amounting to HK\$81,102,000.

## 5. OTHER GAINS AND LOSSES, NET

An analysis of the Group's other gains and losses, net from continuing operations is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Exchange difference, net	<b>(7,914)</b>	(1,695)
Fair value gain of derivative instruments	<b>96,848</b>	92,140
Provision for impairment loss of profit guarantee compensation receivables	<b>(110,543)</b>	(43,043)
Gain on extinguishment of promissory note	–	2,490
Loss on disposal of property, plant and equipment	<b>(1,581)</b>	–
Loss on extinguishment of other payable	–	(19,575)
Net gain arising on available-for-sale financial assets		
– listed equity securities in Hong Kong	–	2,685
Net loss arising on financial asset designated as at FVTPL	<b>(49)</b>	(877)
Provision for impairment loss of trade receivables, net	<b>(3,307)</b>	(7,308)
Provision for impairment loss of prepayments, deposits and other receivables, net	<b>(7,007)</b>	(67,111)
Provision for impairment loss of property, plant and equipment	–	(7,080)
Provision for impairment loss of goodwill	<b>(64,480)</b>	–
Revaluation deficit of property, plant and equipment	–	(3,560)
Write down of inventories to net realisable value	–	(3,199)
Write off of property, plant and equipment	–	(124)
Write off of trade receivables	–	(1,218)
Others	–	(1,768)
	<b>(98,033)</b>	(59,243)

## 6. LOSS BEFORE TAX

The Group's loss before tax is stated after charging/(crediting) the following:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Amortisation of intangible assets	32	45
Amortisation of prepaid land lease payments	808	861
Auditor's remuneration	1,080	1,100
Cost of inventories sold	137,082	216,014
Depreciation	19,589	24,574
Equity-settled share-based payments to consultants	7,924	–
Equity-settled share-based payments to substantial shareholders	5,270	–
Minimum lease payments under operating lease in respect of land and buildings	7,217	1,645
Provision of compensation and cost for legal cases	23,871	6,182
Staff costs (including directors' remuneration):		
— salaries, bonuses and allowances	30,497	30,802
— equity-settled share-based payments	25,766	–
— provision/(reversal of provision) for long service payment	7	(184)
— retirement benefits scheme contributions	1,513	3,926
	<b>57,783</b>	<b>34,544</b>

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax had been made during the year (2015: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Subsidiaries established in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2015: 25%).

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax – PRC enterprise income tax		
— Provision for the year	5,736	10,506
— Under-provision in prior years	–	422
	<b>5,736</b>	10,928
Deferred tax	<b>(4,195)</b>	<b>(1,603)</b>
	<b>1,541</b>	<b>9,325</b>

## 8. DISCONTINUED OPERATIONS

On 17 November 2014, the Group entered into a sale and purchase agreement with Feng Hao Holdings Limited (the “Purchaser”), pursuant to which, the Group agrees to dispose of its 100% entire interests in Sunway International (BVI) Holdings Limited and Sunway International Investment Holdings Limited and its subsidiaries (collectively, the “Disposal Group”) at a consideration of HK\$180,000,000. On 15 December 2014, the Group and the Purchaser agreed to enter into a supplemental agreement to increase the consideration to HK\$300,000,000. The Disposal Group was engaged in the design, development, manufacture and sale of a wide range of electronics and related components and parts and consumer electronic products in the PRC. The disposal of the Disposal Group was completed on 30 January 2015. As at 31 December 2014, the Disposal Group were classified as a disposal group held-for-sale whereas the financial performance of the Disposal Group for the year ended 31 December 2015 were presented as a discontinued operations.

Analysis of the result of discontinued operations, and the result of the Disposal Group, is as follows:

	2015 <i>HK\$'000</i>
Revenue	56,287
Other income and expenses	<u>(73,719)</u>
Loss before tax	(17,432)
Income tax expense	<u>(756)</u>
Loss after tax of discontinued operations	(18,188)
Gain on disposal of subsidiaries	<u>502,261</u>
Profit for the year from discontinued operations	<u><u>484,073</u></u>

## 9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

## 10. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue throughout the year.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
(Loss)/profit:		
(Loss)/profit for the year attributable to owners of the Company used in the basic (loss)/earnings per share calculation:		
– continuing operations	<b>(183,049)</b>	(93,519)
– discontinued operations	–	484,073
	<b>(183,049)</b>	390,554
	<i>'000</i>	<i>'000</i> (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>3,666,241</b>	2,321,312

### Diluted (loss)/earnings per shares

No diluted (loss)/earnings per share for the years ended 31 December 2016 and 2015 is presented as the effects of all convertible notes and share options are anti-dilutive for the years.

## 11. DERIVATIVE INSTRUMENTS

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Balance at beginning of the year	<b>13,695</b>	43,452
Profit guarantee compensation recognised for the year	<b>(110,543)</b>	(121,897)
Fair value gain of derivative instruments	<b>96,848</b>	92,140
Balance at end of the year	–	13,695

The fair value of the Group's derivative instruments at 31 December 2015 was arrived at on the basis of a valuation carried out on that date by an independent professional valuer, Peak Vision Appraisals Limited, using Income Approach.

## 12. TRADE AND BILL RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables, gross	244,766	157,808
Less: provision for impairment loss	<u>(33,917)</u>	<u>(32,878)</u>
Trade receivables, net	210,849	124,930
Bill receivables	<u>1,547</u>	<u>–</u>
	<u><b>212,396</b></u>	<u>124,930</u>

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three (2015: one to three) months from the date of billing, except for certain well-established customers, where the terms are extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk. Trade receivables are non-interest bearing.

As at 31 December 2016, except for the receivables from loans to customers of HK\$123,041,000 (2015: nil) which bear fixed interest rates ranging from 8% to 10% per annum and are with charges over the assets owned by the borrowers and/or personal guarantees, trade receivables are non-interest bearing.

### Ageing analysis

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date or the date of inception for loans and net of provision, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	64,496	56,028
4 to 6 months	121,769	30,398
7 to 12 months	8,701	27,891
Over 12 months	<u>15,883</u>	<u>10,613</u>
	<u><b>210,849</b></u>	<u>124,930</u>

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Prepayments	135,008	86,997
Other receivables	27,803	20,349
Less: Provision for impairment	<u>(76,121)</u>	<u>(74,212)</u>
	86,690	33,134
Deposits paid	3,097	2,222
Profit guarantee compensation receivables	<u>–</u>	<u>89,155</u>
	<u><b>89,787</b></u>	<u>124,511</u>

### 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movement in provision for impairment on prepayments and other receivables is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Balance at beginning of the year	<b>74,212</b>	10,402
Impairment losses recognised	<b>11,261</b>	68,170
Impairment losses reversed	<b>(4,254)</b>	(1,059)
Exchange realignment	<b>(5,098)</b>	(3,301)
	<hr/>	<hr/>
Balance at end of the year	<b>76,121</b>	74,212
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2016, the Group's other receivables with a carrying amount before provision of HK\$11,261,000 (2015: HK\$11,032,000) were individually determined to be fully impaired. The individually impaired receivables related to debtors that were in financial difficulties and overdue for more than one year and management assessed that the recovery of these receivables is in doubt.

During the year ended 31 December 2015, the Group appointed an independent professional advisor to perform an investigation on certain prepayments, deposits and other receivables of a subsidiary of the Group. Based on the findings of the investigation, certain prepayments may involve the possible commercial crime committed by two former directors of a subsidiary of the Group and management assessed the recovery of these receivables is in doubt. The Company had filed a report to Zhuhai Public Security Bureau against the two former directors of a subsidiary of the Group. As at 31 December 2015, certain prepayments, deposits and other receivables with a carrying amount before provision of HK\$57,138,000 were individually determined to be fully impaired.

The profit guarantee compensation receivables were secured by the Company's convertible notes with an aggregate principal amount of HK\$100,000,000. The movement of the profit guarantee compensation receivables is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Balance at beginning of the year	<b>89,155</b>	10,301
Profit guarantee compensation recognised	<b>110,543</b>	121,897
Impairment loss recognised	<b>(110,543)</b>	(43,043)
Settled by the redemption of the convertible notes	<b>(89,155)</b>	–
	<hr/>	<hr/>
Balance at end of the year	<b>–</b>	89,155
	<hr/> <hr/>	<hr/> <hr/>



#### 14. TRADE AND BILL PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	39,046	37,517
Bill payables	–	6,548
	<u>39,046</u>	<u>44,065</u>

An ageing analysis of trade payables as at the end of the reporting period, based on invoice date, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	19,513	15,949
4 to 6 months	8,970	9,985
7 to 12 months	3,809	7,249
Over 1 year	6,754	4,334
	<u>39,046</u>	<u>37,517</u>

The trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 days (2015: 30 days). The Group has finance risk management policies in place to ensure that all payable are paid within the credit timeframe.

#### 15. CONVERTIBLE NOTES

On 2 May 2014, the Company issued the convertible notes with an aggregate principal amount of HK\$300,000,000 in connection with the acquisition of Joint Expert. The convertible notes are denominated in HK\$, carry zero interest rate per annum and will be matured on 28 April 2017.

The convertible note holders are entitled to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$0.18 (adjusted) per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible notes) at any time during the period commencing from the date of issuance of the convertible notes to the maturity date. Unless conversion notice shall have been previously given by the note holder to the Company, the Company may, by giving the note holder not less than 7 day's prior written notice at any time after the date of issuance of the convertible notes redeem the notes at a value equal to the principal amount of the notes to be redeemed. On maturity date, any convertible notes not being redeemed or converted shall be automatically converted into conversion shares at the conversion price subject to compliance with the listing rules. If any conversion will trigger breach of the Listing Rules, then the Company may convert such sum of the convertible notes into shares as it considers appropriate and the remaining balance will be cancelled immediately.

Under the convertible notes, there is no contracted obligation to repay the principal amounts of the notes nor to pay any distributions on the notes, hence the notes do not meet the definition of financial liabilities under Hong Kong Accounting Standard 32 "Financial Instruments: Presentation". As a result, the whole instrument was classified as equity.

During the year ended 31 December 2016, the Company redeemed convertible notes with an aggregate principal amount of HK\$100,000,000 at its fair value of approximately HK\$89,155,000 to settle the profit guarantee compensation receivables. During the year ended 31 December 2015, the Company redeemed convertible notes with an aggregate principal amount of HK\$50,000,000 at a consideration of HK\$35,000,000.

## 15. CONVERTIBLE NOTES *(continued)*

As at 31 December 2016, the convertible notes of the Company with an aggregate principal amount of HK\$30,000,000 (2015: HK\$130,000,000) were still outstanding.

As at 31 December 2016 and 2015, the convertible notes of the Company with an aggregate principal amount of HK\$100,000,000 (with a carrying amount of HK\$41,998,000) were pledged by the Vendor of the Company as collateral for the performance of profit guarantee. Due to the default of the Guarantors in paying the deficient amount to the Guarantee Profit, the Company has the right to sell the pledged convertible notes and offset the receivable of the deficient amount with the proceeds. As such, the pledged convertible notes were offset with part of the receivable of the deficient amount, the substantive effect of which would render the pledged convertible notes as if they were redeemed by the Company in accordance with the SPA.

The movement in the equity component of the convertible notes is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Balance at beginning of the year	<b>54,597</b>	75,595
Redemption	<b>(41,997)</b>	(20,998)
Balance at end of the year	<b><u>(12,600)</u></b>	<u>54,597</u>

## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF RESULTS AND OPERATIONS

### CONTINUING OPERATIONS

Continuing operations of the Group represent the pre-stressed high-strength concrete piles and others business (the “**PHC Pile and Others Business**”) and the pre-stressed steel bars business (the “**PC Steel Bar Business**”) (collectively, the “**Construction Materials Business**”) and financial services business (the “**Financial Services Business**”) which was commenced during the year ended 31 December 2016 (“**FY2016**”).

#### PHC Pile and Others Business

PHC Pile and Others Business are operated by a subsidiary of the Company, 廣東恆佳建材股份有限公司 (Guangdong Hengjia Construction Materials Co., Ltd\*, “**Guangdong Hengjia**”) and its production factory is situated in Yangjiang City, Guangdong Province, the People’s Republic of China (the “**PRC**”). Guangdong Hengjia sells its products to customers located in Yangjiang City and its surrounding cities in Guangdong Province.

Revenue from the PHC Pile and Others Businesses represented sales of pre-stressed high strength concrete pile, ready-mixed concrete and bricks which contributed approximately 30%, 52% and 18%, (Last Financial Period: approximately 19%, 68% and 13%) respectively to the revenue of PHC Pile and Others Businesses.

The total revenue from the continuing operations for FY2016 was mainly generated from the PHC Pile and Others Business. Revenue for FY2016 was HK\$242,146,000 compared with HK\$329,875,000 reported last year, which contributed approximately 98.6% and 96% of the total revenue of the continuing operations for FY2016 and last year respectively. The decrease in revenue for the year was mainly attributable to the drop in sales of ready-mixed concrete. Tighten credit control measure was adopted this year to monitor the credit risk. Sales volume was restricted for those customers with low credit quality.

The operations of the PHC Pile and Others Business for FY2016 remained profitable. The segment profit for FY2016 was HK\$13,506,000 as compared with HK\$41,009,000 reported last year, which was in line with the decrease in sales.

#### PC Steel Bar Business

PC Steel Bar Business is operated by a subsidiary of the Company, Zhuhai Hoston Special Materials Co., Ltd. (“**Zhuhai Hoston**”) and its production factory is situated in Zhuhai City, Guangdong Province, the PRC (the “**Zhuhai Factory**”). The operation of the Zhuhai Factory has been suspended since 1 January 2016.

PC Steel Bar Business did not generate any revenue during the FY2016. Segment loss for FY2016 was HK\$27,453,000 as compared with HK\$115,917,000 reported last year.

Segment loss was mainly attributable to the provision for compensation and cost for legal cases of HK\$21,573,000 as disclosed under the paragraph headed “Legal Proceedings/ Complaints”.

Most of the employment contracts of Zhuhai Hoston has expired on 31 March 2017. In view of the current situation, the management decided not to renew the employment contracts with the staff. Provision for termination compensation of HK\$2,139,000 was made in accordance with the Labor Law of the PRC.

### **Financial services**

Financial Services Business consisted of money lending, provision of asset management services and securities brokerage services in Hong Kong.

The Group obtained a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in February 2016 and commenced the money lending business in July 2016. It contributed HK\$3,481,000 to the revenue of the Group and represented interest income from loans granted to customers.

The Group has not commenced its asset management service during FY2016. The revenue generated by provision of securities brokerage services was minimal during FY2016.

### **Other gains and losses, net**

Other gains and losses, net for FY2016 mainly consisted of fair value gain of derivative instruments of HK\$96,848,000, provision for impairment loss of profit guarantee compensation receivables of HK\$110,543,000, provision for impairment loss of goodwill of HK\$64,480,000, net exchange difference of HK\$7,914,000, provision for impairment loss of prepayments, deposits and other receivables, net of HK\$7,007,000 and provision for impairment loss of trade receivables, net of HK\$3,307,000.

### **Other expenses**

Other expenses mainly included the provision for compensation and cost for legal cases of HK\$25,776,000 as disclosed the paragraph headed “Legal Proceedings/Complaints”.

### **Selling and distribution expenses**

Selling and distribution expenses for FY2016 mainly comprised transportation costs of HK\$19,256,000 and salaries for the sale-persons of HK\$2,337,000.

### **Administrative expenses**

Administrative expenses for FY2016 mainly comprised of equity-settled share-based payments of HK\$38,960,000, salaries and other benefits (including directors’ remuneration) of HK\$12,773,000 and legal and professional fees of HK\$7,557,000. The increase in administrative expenses was mainly attributable to the equity-settled share-based payments arising from the granting of share options and the business development expenses for the Group’s new business during the year.

## **Finance costs**

Finance costs for FY2016 were interest expenses for the bank borrowings of HK\$2,874,000. These decreased in line with bank borrowings of Zhuhai Hoston and the absence of imputed interest of other payable and promissory note following the repayment in early 2015.

## **DISCONTINUED OPERATIONS**

As disclosed in the note 8, the disposal of the Disposal Group was completed on 30 January 2015 and profit from discontinued operations of HK\$484,073,000 was reported in last year.

## **FINAL DIVIDEND**

The Board resolved not to declare any final dividend for the year ended 31 December 2016 (2015: Nil).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group finances its operations with equity fund raising activities, internally generated cash flow and banking facilities provided by its principal bankers in the PRC. As at 31 December 2016, the total shareholders' equity of the Group was HK\$404,578,000, representing a decrease of approximately 2% over last year. As at 31 December 2016, the Group's cash and cash equivalents stood at HK\$46,107,000 whereas interest-bearing borrowings were HK\$27,646,000. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by equity, was approximately 36% as at 31 December 2016.

## **SIGNIFICANT INVESTMENTS AND ACQUISITION**

The acquisition of Ark One Limited ("**Ark One**"), a company principally engaged in Type 9 (asset management) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), as disclosed in the annual report of the Company for the year ended 31 December 2015 (the "**Annual Report 2015**"), was completed on 7 July 2016 and the total consideration paid was HK\$5,136,000.

A sale and purchase agreement dated 4 March 2016 was entered into between Lucky Digit Holdings Limited, a wholly owned subsidiary of the Company, as the purchaser and Mr. Chan Hung Ming as the vendor in relation to the sale and purchase of the entire issued share capital of Grand Silver Securities Limited ("**Grand Sliver**") at a consideration of HK\$6,800,000 plus the net assets value of the Grand Sliver as at 31 January 2016 as shown in the management accounts (the "**Management Accounts**") of Grand Sliver subject to completion accounts (after deducting the amount outstanding and owned by Mr. Chan Hung Ming to Grand Sliver as disclosed in the Management Accounts or in the completion accounts of Grand Sliver, whichever is higher). Grand Silver is a company principally engaged in Type 1 (dealing in securities) regulated activity under the SFO. The said acquisition was completed on 19 July 2016. Total consideration paid was HK\$11,458,000.

The Group has no other significant investment and acquisition during the year.

## CAPITAL STRUCTURE

### Convertible notes

As at 31 December 2016, the Company had convertible notes with principal amount of HK\$30,000,000. Based on the opinions obtained from the legal adviser of the Company, in view of the on-going legal proceedings mentioned under the paragraph headed “Legal Proceedings/Complaints”, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

As disclosed in Note 2 and Note 15 of this announcement in relation to the convertible notes with an aggregate principal amount of HK\$100,000,000 which were pledged to the Company as collateral for the Guaranteed Profit in accordance with the SPA (the “**Pledged Convertible Notes**”), in the event of the Guarantors default in paying the deficient amount to the Guarantee Profit, the Company has the right to sell the Pledged Convertible Notes and offset the receivable of the deficient amount with the proceeds of such sale.

A fair value of an aggregate amount of HK\$89,155,000 of the Pledged Convertible Notes were offset with part of the receivable of the deficient amount, the substantive effect of which would render the Pledged Convertible Notes as if they were redeemed by the Company under the SPA.

### Capital reorganisation

On 19 April 2016, the Company completed the capital reorganisation which (i) the nominal value of each issued ordinary share of the Company was reduced from HK\$0.10 to HK\$0.01 by the cancellation of HK\$0.09 from the paid-up capital on each ordinary share (the “**Capital Reduction**”); (ii) each of the authorised but unissued ordinary share of HK\$0.10 each were sub-divided into ten ordinary shares of HK\$0.01 each; and (iii) the credit of HK\$157,118,516.91 arising from the Capital Reduction of the basis of 1,745,761,299 ordinary shares in issue was transferred to the contributed surplus account of the Company.

### Open Offer

On 18 April 2016, issuance of the Company’s ordinary shares of HK\$0.01 each by way of open offer to the qualifying shareholders on the basis of three offer shares for every two shares held on 28 April 2016 at a subscription price of HK\$0.08 each (the “**Open Offer**”) was approved by the independent shareholders at the special general meeting. On 27 May 2016, the Company issued 2,618,641,947 ordinary shares as a result of the Open Offer.

### Share options

In accordance with the share option scheme approved and adopted by the Company on 17 June 2016 (the “**Share Option Scheme 2016**”), on 22 June 2016, the Company granted options to certain directors, employees, substantial shareholders and consultants of the Group to subscribe for a total of 436,200,000 ordinary shares of HK\$0.01 each in the capital of the Company on or before 21 June 2026 at an exercise price of HK\$0.1682 per share. 119,800,000 ordinary shares of HK\$0.01 each were issued during the year as a result of 119,800,000 options exercised pursuant to the Share Option Scheme 2016 during the year. As at 31 December 2016, the number of shares in respect of which options had been granted and exercisable was 316,400,000. No share options was lapsed or cancelled during the year.

## **Issued share capital**

As at 31 December 2016, the issued shares of the Company was 4,484,203,246 (2015: 1,745,761,299) ordinary shares of HK\$0.01 each.

## **USE OF PROCEEDS FROM THE OPEN OFFER**

During the year, the Company raised approximately HK\$209.5 million from the Open Offer. The net proceeds from the Open Offer was approximately HK\$202.8 million after deducting all relevant expenses of approximately HK\$6.7 million in connection with the Open Offer.

As stated in the prospectus of the Company dated 29 April 2016 and the announcements of the Company dated 21 June 2016 and 6 October 2016 (the “**Open Offer Documents**”), the Group intended to use the proceeds from the Open Offer for development of Financial Services Business and general working capital of the existing business.

As at 31 December 2016, an accumulated amount of approximately HK\$170.1 million of proceeds from the Open Offer was utilized in accordance with the intended use as stated in the Open Offer Documents, of which HK\$9.8 million paid for acquisition of the subsidiaries, HK\$120 million contributed to money lending business, HK\$4.0 million used by the newly acquired subsidiaries as capital expenditure and HK\$36.3 used as general working capital. The remaining proceeds of approximately HK\$32.7 million will be used as general working capital for the Construction Materials Business and Financial Services Business.

## **PLEDGE OF ASSETS**

As at 31 December 2016, the Group’s certain leasehold land and buildings of HK\$39,151,000 (2015: HK\$56,225,000), certain prepaid land lease payments of HK\$23,534,000 (2015: HK\$25,553,000), and certain plant and machinery of HK\$7,131,000 (2015: HK\$9,683,000), are used to secure banking facilities for the Group. As at 31 December 2015, bank deposits of HK\$1,313,000 was also used to secure banking facilities of the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2016, the Group has approximately 400 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group’s directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the Share Option Scheme 2016.

## **FOREIGN EXCHANGE AND CURRENCY RISKS**

The Group’s monetary assets, liabilities and transactions are principally denominated in Renminbi (“**RMB**”) and Hong Kong Dollars (“**HKD**”). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group’s assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

## COMMITMENT

As at 31 December 2016, the Group does not have any material capital commitments (2015: HK\$4,000,000 for acquisition of a subsidiary).

## CONTINGENT LIABILITIES

As at 31 December 2016 and 31 December 2015, the Group does not have any material contingent liabilities.

## EVENT AFTER THE REPORTING PERIOD

The Group has no material event subsequent to the year ended 31 December 2016 that needs to be disclosed.

## LEGAL PROCEEDINGS/COMPLAINTS

As at the date of this announcement, the Group is involved in the following outstanding legal proceedings/complaints:

### **The Company or its subsidiary as the defendant**

- (a) References are made to the final results announcement of the Company for the year ended 31 December 2015 (the “**Final Results Announcement 2015**”) and the annual report of the Company for the year ended 31 December 2015 (the “**Annual Report 2015**”), Zhuhai Hoston was ordered to pay the overdue amount, late penalty charge and legal costs to 珠海港物流發展有限公司 (Zhuhai Port Logistics Development Co., Ltd)\* (“**Zhuhai Port**”) and 廣州市壹弘運輸有限公司 (Guangzhou Yihong Transportation Co., Ltd)\* (“**Guangzhou Yihong**”) in a total sum of RMB1,098,667.10 and RMB2,295,538.48, in accordance with the rulings issued by 廣東省珠海市金灣區人民法院 (Guangdong Zhuhai Jinwan People’s Court)\* (“**Jinwan People’s Court**”) and 廣東省珠海市中級人民法院 (Guangdong Zhuhai Intermediate People’s Court)\*, respectively. Up to 31 December 2016, a total sum of RMB310,000 and RMB465,000 were paid to Zhuhai Port and Guangzhou Yihong, respectively.

Zhuhai Hoston received an execution order dated 21 November 2016 issued by the Jinwan People’s Court on the application of Zhuhai Port in relation to the auction of the land and properties owned by Zhuhai Hoston. The said land and properties have already been seized by the Jinwan People’s Court pursuant to its civil ruling dated 30 June 2015. Based on the notice from the Jinwan People’s Court dated 19 December 2016, the relevant land and properties were valued at RMB24,974,262 (equivalent to HK\$27,896,250) as at 9 December 2016. As at the date of this announcement, the said auction has yet to commence.



- (b) References are made to the Annual Report 2015 and Final Results Announcement 2015, Zhuhai Hoston was ordered to pay the outstanding principal sum of RMB9,152,910.14 plus late penalty charge and legal costs to 珠海市中小企業融資擔保有限公司 (Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd)\* by the civil ruling issued by 珠海市香洲區人民法院 (Zhuhai Xiangzhou People’s Court)\* (the “**Xiangzhou People’s Court**”) dated 26 March 2016. According to the civil ruling dated 13 July 2016 issued by the Xiangzhou People’s Court, 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was frozen up to 3 years from 20 July 2016. The Company is looking into the matter with the management of Zhuhai Hoston in relation to the said civil ruling.
- (c) References are made to the Company’s announcements dated 5 February 2016 and 14 March 2017 in relation to a legal action initiated by Liu Qian (劉倩) (“**Ms. Liu**”) as the plaintiff against the Company as the defendant in the Court of First Instance of the High Court of Hong Kong on 3 February 2016. On 3 October 2016, Ms. Liu applied for a summary judgment against the Company by way of summons (the “**Summons**”). The substantive hearing of the Summons was heard on 27 February 2017 with judgment reserved. On 13 March 2017, the Court handed down judgment (the “**Judgment**”) in favour of Ms. Liu against the Company with damages to be assessed. The Company is seeking advice from its legal advisers to appeal against the Judgment and apply for stay of execution of the Judgment.
- (d) Reference is made to the announcement of the Company dated 11 November 2016 in relation to the following civil complaints involving Zhuhai Hoston:
- (i) Zhuhai Hoston received civil rulings on 19 October 2016 and was to assume joint responsibility with other guarantors in relation to outstanding personal loans of RMB1,900,000 and approximately RMB3,000,000, owing by 王天 (Wang Tian)\* to 畢肖輝 (Bi Xiaohui)\* and 陳曉東 (Chen Xiaodong)\*, respectively, and interests on such respective principal sums. Zhuhai Hoston has filed appeals against these civil rulings and the matters are pending to be heard.
- (ii) Hearings of the civil complaint by 吳敏 (Wu Min)\* and 寇金水 (Kou Jinshui)\* have commenced on 6 December 2016 and 5 December 2016, in respect of the personal loan of RMB1,000,000 and RMB3,500,000, respectively owing by 王天 (Wang Tian)\* and the respective interests thereon. Zhuhai Hoston was to assume joint responsibility for the payments owing by Wang Tian together with other guarantors of the said loans. Up to the date of this announcement, judgments of the hearings have yet to be issued.
- (iii) Hearing of the civil complaint by 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.)\* (“**Zhuhai Hechuan**”) in relation to disputes over private lending pursuant to a lending contract dated 6 April 2013 entered into between Zhuhai Hoston as the borrower and Zhuhai Hechuan as the lender has commenced on 5 December 2016. Up to the date of this announcement, judgement of the hearing has yet to be issued.

## The Company and/or its subsidiary as the plaintiff(s)/complainant

- (e) By a general indorsed writ of summons dated 23 June 2015 (the “**23 June 2015 Legal Proceedings**”) and statement of claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the “**Plaintiffs**”) against Xiao Guang Kevin (蕭光) (“**Mr. Xiao**”) and 王志寧 (Wang Zhining)\* (“**Mr. Wang**”) (collectively, the “**Defendants**”), the vendor and the guarantor, respectively of a very substantial acquisition of the Company (“**VSA**”) as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, , the Plaintiffs claim that the Defendants have fundamentally breached the terms and conditions of a sale and purchase agreement relation to the VSA (the “**SPA**”). Accordingly, the Plaintiffs are seeking to rescind the SPA and certain convertible notes issued by the Company to Mr. Xiao as part of the consideration under the SPA.

On 16 March 2017, the Company filed an amended statement of claim to the High Court of Hong Kong adding another party as a defendant to the 23 June 2015 Legal Proceedings claiming, amongst other things, that such party is a nominee of Mr. Wang and further claim against the Defendants for misrepresentation regarding the undisclosed guarantees given by Zhuhai Hoston in favour of Wang Tian as disclosed in paragraph (d) above which has led to the Group’s involvement in such litigation.

The Company is seeking advice from its legal adviser. In any event, the Board does not envisage that the Plaintiff’s claims will have any material adverse impact on the financial performance and trading position of the Group. As at the date of this announcement, the case is still going through the litigation procedures and no judgment has been made by the Court.

- (f) On 30 July 2015, Zhuhai Hoston had filed a report to 珠海市公安局 (Zhuhai Public Security Bureau)\* (the “**Bureau**”) against 王志寧 (Wang Zhining)\* and 王天 (Wang Tian)\* the former directors of Zhuhai Hoston (the “**Former Directors**”) in respect of the possible commercial crimes (the “**Reported Case**”) regarding the non-recoverable prepayments as disclosed in the announcement of the Company dated 14 October 2015. Up to date of this announcement, the Reported Case is still under investigation by the Bureau.
- (g) On 29 February 2016, Zhuhai Hoston filed a lawsuit in the Xiangzhou People’s Court against the Former Directors and 珠海市鑫鋒發展有限公司 (Zhuhai Xinfeng Development Co., Ltd.)\* the controlled company of the Former Directors (the “**Controlled Company**”) regarding the prepayment to a supplier of Zhuhai Hoston of RMB4,840,000 for the purchase of machinery. The sum was subsequently transferred to the Controlled Company based on the instructions of the Former Directors to the supplier. According to civil ruling from the Xiangzhou People’s Court dated 30 May 2016, the lawsuit has been suspended pending for the investigation results of the Reported Case as the prepayment to the supplier is part of the subject matter of the Reported Case.

## **PROSPECTS**

In 2016, the Group acquired two subsidiaries which are principally engaged in Type 9 (asset management) and Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). It is expected the Group will commence the business of provision of asset management services in 2017.

For the securities brokerage services, the Group will launch a new online securities trading platform with different comprehensive advanced functions in the second quarter of 2017. Customers are able to seize the investment opportunities in Hong Kong securities market at anytime and anywhere via smart phones and computers.

## **UPDATES ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

As disclosed in the announcement of the Company dated 30 June 2016, Ms. Deng Chunmei resigned as an independent non-executive director of the Company (“**Director**”) and a member of each of Nomination Committee, Audit Committee and Remuneration Committee of the Company with effect from 30 June 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 31 May 2017 to 6 June 2017 both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for exercising the voting rights of shareholders at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 29 May 2017.

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

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

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The auditor have audited the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In the auditor's opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section, 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 issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **Basis for qualified opinion**

The previous auditor did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2015, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements because of the possible effect of the limitations on the scope of the audit, details of which are set out in the audit report dated 31 March 2016. Included in the impairment loss of prepayments, deposits and other receivables for the year ended 31 December 2015 were amounts of approximately HK\$39,733,000 (equivalent to RMB31,914,000) and HK\$19,845,000 (equivalent to RMB15,940,000) relating to prepayments to certain suppliers for purchases of goods and machineries made before 1 January 2015 and during the year ended 31 December 2015, respectively. There were insufficient or no records to indicate the goods received or refund of the prepayments. The directors of the Company believe that the prepayments may be related to possible commercial crimes committed by two former directors of a subsidiary of the Group and full impairment of the prepayments was made during the year ended 31 December 2015. We have not been provided with sufficient appropriate audit evidence whether the impairment loss of prepayments made before 1 January 2015 of approximately HK\$39,733,000 (equivalent to RMB31,914,000) should be recorded in 2015 or years before.

Any adjustments to the figures as described above might have a consequential effect on the Group's results and cash flows for the year ended 31 December 2015 and the related disclosures thereof in the consolidated financial statements. However, the consolidated statement of financial position of the Group as at 31 December 2015 is fairly stated.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 of the Listing Rules during the year ended 31 December 2016, except for the following deviations:

Under the code provision A.4.1 of the Code, the non-executive Directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors are not appointed for specific term. According to the Company's Bye-Law 111(A), one third of the Directors shall retire from the office by rotation and subject to re-election at the annual general meeting. In the opinion of the Board, this meets the same objective and is no less exacting than those in the Code.

Under the code provision A.6.7 of the Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The independent non-executive Directors, namely Mr. Cong Yongjian, Mr. Lam Kai Yeung and Mr. Liu Chenli, were not able to attend the general meetings of the Company due to their other commitments.

## **AUDIT COMMITTEE**

The Company's audit Committee (the "**Audit Committee**") was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the financial reporting, risk management and internal controls of the Group. Members of

the Audit Committee at the date of this announcement comprised all three Independent Non-executive Directors, namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Mr. Liu Chenli. The Group's consolidated financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and legal requirements, and that adequate disclosures have been made.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all the Directors have confirmed that they had complied with required standard set out in the Model Code throughout the year.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited ("ZHONGHUI"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI 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 ZHONGHUI in this announcement.

## **PUBLICATION OF ANNUAL REPORT**

The annual report 2016 of the Company containing all information required by the Listing Rules will be published on the website of the Company at <http://www.irasia.com/listco/hk/sunway/index.htm> and the website of the Stock Exchange at <http://www.hkexnews.hk> in due course.

By order of the Board  
**Sunway International Holdings Limited**  
**Huang Weidong**  
*Chairman*

Hong Kong, 31 March 2017

*As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Huang Weidong (Chairman), Mr. Leung Chi Fai, Mr. Li Chongyang and Ms. Qi Jiao, and three Independent Non-executive Directors, namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Mr. Liu Chenli.*

\* For identification purposes only