



SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058

SECOND INTERIM REPORT
2014

UNAUDITED SECOND INTERIM RESULTS

The Board of Directors (the "Board") of Sunway International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the twelve months ended 30 September 2014 (the "period"), together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Twelve months ended 30 September	
		(UNAUDITED) 2014 HK\$'000	(RESTATED) 2013 HK\$'000
Revenue	4	896,955	788,347
Cost of sales		(962,453)	(864,185)
Gross loss		(65,498)	(75,838)
Other income	5	39,126	13,742
Other gains and losses	6	(27,838)	11,699
Selling and distribution expenses		(16,242)	(12,749)
Administrative expenses		(89,249)	(89,253)
Other operating expenses		(1,316)	(579)
Finance costs	7	(43,302)	(40,372)
Share of loss of a joint venture		(611)	(7,561)
Loss before tax	8	(204,930)	(200,911)
Income tax expenses	9	(8,518)	(6,647)
Loss for the period/financial year		(213,448)	(207,558)
Profit/(Loss) for the period/financial year attributable to:			
Owners of the Company		(217,139)	(207,558)
Non-controlling interests		3,691	—
		(213,448)	(207,558)
Dividend	10	—	—
Loss per share attributable to owners of the Company	11		
Basic		HK(21 cents)	HK(20 cents)
Diluted		HK(21 cents)	HK(20 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Twelve months ended 30 September	
	(UNAUDITED) 2014 HK\$'000	(RESTATED) 2013 HK\$'000
LOSS FOR THE PERIOD/FINANCIAL YEAR	(213,448)	(207,558)
OTHER COMPREHENSIVE INCOME		
Items may be reclassified to the consolidated income statement in subsequent periods:		
Available-for-sale investment:		
Changes in fair value	(29)	951
Reclassification adjustment for loss on disposal included in the consolidated income statement	255	1,295
	226	2,246
Exchange differences on translation of foreign operations	995	15,256
	1,221	17,502
Items may not to be reclassified to the consolidated income statement in subsequent periods:		
Revaluation of items of property, plant and equipment, net of tax	7,466	28,456
Surplus on revaluation of items of property, plant and equipment transferred to investment properties	–	15,784
	7,466	44,240
OTHER COMPREHENSIVE INCOME FOR THE PERIOD/FINANCIAL YEAR, NET OF TAX	8,687	61,742
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/FINANCIAL YEAR	(204,761)	(145,816)
Total comprehensive income for the period/financial year attributable to:		
Owners of the Company	(208,619)	(145,816)
Non-controlling interests	3,858	–
	(204,761)	(145,816)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(UNAUDITED) 30 September 2014 HK\$'000	(RESTATED) 30 September 2013 HK\$'000	(RESTATED) 1 October 2012 HK\$'000
	Notes			
NON-CURRENT ASSETS				
Property, plant and equipment	12	532,305	430,152	459,176
Investment properties		90,277	91,432	63,770
Prepaid land lease payments	12	104,608	67,281	67,137
Goodwill	13	163,873	–	–
Interest in a joint venture		1,461	2,072	9,456
Available-for-sale investments		28,856	2,373	6,430
Deposit paid for acquisition of land use right		10,657	–	–
Deposits paid for acquisition of property, plant and equipment		731	731	711
Deferred tax assets		3,792	–	–
Total non-current assets		<u>936,560</u>	<u>594,041</u>	<u>606,680</u>
CURRENT ASSETS				
Inventories		232,006	251,140	293,595
Loan receivables		–	–	155,918
Trade receivables	14	357,251	205,478	148,495
Prepayments, deposits and other receivables		214,167	21,113	24,693
Due from a joint venture		–	–	326
Tax recoverable		1,045	–	80
Pledged bank deposit		16,846	–	16,354
Cash and bank balances		141,980	148,055	270,573
Total current assets		<u>963,295</u>	<u>625,786</u>	<u>910,034</u>
CURRENT LIABILITIES				
Trade and bill payables	15	309,978	121,330	151,815
Other payables and accruals		273,795	149,538	116,920
Due to a director		70,998	5,908	2,681
Interest-bearing bank borrowings	16	563,110	325,535	650,164
Tax payable		34,303	29,786	28,928
Total current liabilities		<u>1,252,184</u>	<u>632,097</u>	<u>950,508</u>
NET CURRENT LIABILITIES		<u>(288,889)</u>	<u>(6,311)</u>	<u>(40,474)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>647,671</u>	<u>587,730</u>	<u>566,206</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(UNAUDITED) 30 September 2014 HK\$'000	(RESTATED) 30 September 2013 HK\$'000	(RESTATED) 1 October 2012 HK\$'000
	Notes			
NON-CURRENT LIABILITIES				
Deferred tax liabilities		63,735	56,245	45,215
Provision for long service payment		606	689	742
Other borrowing		–	154,377	–
Interest-bearing bank borrowings	16	29,634	–	–
Cash consideration payable		135,061	–	–
Promissory note	18	80,241	–	–
Total non-current liabilities		309,277	211,311	45,957
NET ASSETS				
		338,394	376,419	520,249
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	17	142,250	101,600	101,600
Convertible notes	19	75,595	–	–
Reserves		79,200	274,819	418,649
Equity attributable to owners of the Company		297,045	376,419	520,249
Non-controlling interests		41,349	–	–
TOTAL EQUITY		338,394	376,419	520,249

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Share capital HK\$'000	Convertible notes HK\$'000	Share premium account HK\$'000	Share Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC statutory reserves HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 October 2013 (restated)	101,600	-	177,325	56,471	509	6,925	161,041	2,949,478	12,928	2,518	(392,376)	376,419	-	376,419
Loss for the period	-	-	-	-	-	-	-	-	-	-	(217,139)	(217,139)	3,691	(213,448)
Other comprehensive income for the period:														
Exchange differences on transition of foreign operations	-	-	-	-	-	-	-	828	-	-	-	828	167	995
Surplus on revaluation of items of property, plant and equipment, net of tax	-	-	-	-	-	-	7,466	-	-	-	-	7,466	-	7,466
Available-for-sale investment: Changes in fair value	-	-	-	-	-	-	-	-	-	(29)	-	(29)	-	(29)
Reclassification adjustment for loss on disposal included in the consolidated income statement (note 4)	-	-	-	-	-	-	-	-	-	255	-	255	-	255
Total comprehensive income for the period	-	-	-	-	-	-	7,466	828	1,189	226	(217,139)	(208,619)	3,858	(204,761)
Transfer to PRC statutory reserves	-	-	-	-	-	-	-	-	-	-	(791)	398	(398)	-
Conversion of convertible notes (note 19)	40,000	(50,397)	10,397	-	-	-	-	-	-	-	-	-	-	125,992
Issue of convertible notes (note 19)	-	125,992	-	-	-	(728)	-	-	-	-	-	125,992	-	125,992
Exercise of share options	650	-	1,313	-	-	-	-	-	-	-	-	1,235	-	1,235
Equity-settled share option arrangements	-	-	-	-	-	1,620	-	-	-	-	-	1,620	-	1,620
Share options lapsed	-	-	-	-	-	(616)	-	-	-	-	616	-	-	-
Non-controlling interest arising on business combination (note 20)	-	-	-	-	-	-	-	-	-	-	-	-	37,889	37,889
At 30 September 2014	142,250	75,595	189,035*	56,471*	509*	7,201*	168,507*	290,306*	14,117*	2,744*	(609,690)*	297,045	41,349	338,394

* These reserve accounts comprise the consolidated reserves of HK\$79,200,000 (30 September 2013 (restated): HK\$274,819,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED (continued)

	Share capital	Convertible notes	Share premium account	Contributed surplus	Capital redemption reserve	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	PRC statutory reserves	Available-for-sale investment revaluation reserve	Accumulated losses	Total equity	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2012 (Restated)	101,600	-	177,325	56,471	509	5,951	118,801	234,222	12,928	272	(185,830)	520,249	-	520,249
Loss for the year (Restated)	-	-	-	-	-	-	-	-	-	-	(207,538)	(207,538)	-	(207,538)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations (Restated)	-	-	-	-	-	-	-	15,256	-	-	-	15,256	-	15,256
Surplus on revaluation of items of property, plant and equipment, net of tax	-	-	-	-	-	-	28,456	-	-	-	-	28,456	-	28,456
Surplus on revaluation of items of properties transferred from property, plant and equipment to investment properties	-	-	-	-	-	-	15,784	-	-	-	-	15,784	-	15,784
Available-for-sale investment: Changes in fair value	-	-	-	-	-	-	-	-	-	951	-	951	-	951
Reclassification adjustment for loss on disposal included in the consolidated income statement (note 6)	-	-	-	-	-	-	-	-	-	1,295	-	1,295	-	1,295
Total comprehensive income for the year	-	-	-	-	-	-	44,240	15,256	-	2,246	(207,538)	(145,816)	-	(145,816)
Equity-settled share option arrangements	-	-	-	-	-	1,986	-	-	-	-	-	1,986	-	1,986
Share options lapsed	-	-	-	-	-	(1,012)	-	-	-	-	1,012	-	-	-
At 30 September 2013 (Restated)	101,600	-	177,325*	56,471*	509*	6,925*	161,041*	249,478*	12,928*	2,518*	(992,376)*	376,419	-	376,419

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Twelve months ended 30 September	
	(UNAUDITED)	(RESTATED)
	2014	2013
Notes	HK\$'000	HK\$'000
Cash generated from/(used in) operations	11,766	(76,920)
Interest received	3,189	2,707
Interest paid	(34,635)	(40,372)
Income tax paid	(15,855)	(4,764)
	<hr/>	<hr/>
Net cash used in operating activities	(35,535)	(119,349)
Investing activities		
Acquisition of property, plant and equipment	(19,992)	(14,981)
Proceeds from disposal of property, plant and equipment	5,249	–
Loan repayment from independent third parties	–	155,918
Net cash inflow arising on acquisition of subsidiaries	5,087	–
Decrease/(Increase) in bank deposits with original maturity over 3 months	78,887	(78,887)
Other cash flows arising from investing activities	(20,888)	21,606
	<hr/>	<hr/>
Net cash generated from investing activities	48,343	83,656
Financing activities		
Net proceeds from/(repayment to) loans and borrowings	148,129	(320,368)
(Repayment of)/new other loan	(154,377)	154,377
Increases in amount due to a director	65,090	3,227
Other cash flows arising from financing activities	1,235	(4,261)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	60,077	(167,025)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	72,885	(202,718)
Cash and cash equivalents at the beginning of the period/financial year	69,168	270,573
Effect of foreign exchange rate changes, net	(73)	1,313
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period/financial year	141,980	69,168

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	Twelve months ended 30 September	
	(UNAUDITED)	(RESTATED)
	2014	2013
Notes	HK\$'000	HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the statement of financial position	141,980	148,055
Less: Bank deposits with original maturity over 3 months	—	(78,887)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the statements of cash flows	141,980	69,168
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Principal Accounting Policies**1.1 Basis of preparation**

The unaudited condensed consolidated financial statements for the twelve months ended 30 September 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by The Hong Kong Institution of Certified Public Accountants (“HKICPA”).

Pursuant to a resolution of the board of directors dated 28 July 2014, the financial year of the Company (together with its subsidiaries collectively referred to as the “Group”) has been changed from 30 September to 31 December. Accordingly, these condensed consolidated financial statements now presented cover a period of twelve months from 1 October 2013 to 30 September 2014. The comparative figures presented for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes cover the financial year from 1 October 2012 to 30 September 2013. The change of the financial year end date of the Company is to align its financial year end date with all of its major operating subsidiaries.

The condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, certain property, plant and equipment and available-for-sale investments which are measured at fair value.

The accounting policies used in preparation of these financial statements are consistent with those adopted in the Group’s Annual Report for the year ended 30 September 2013, except for adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) which are first effective for the current accounting period.

Notwithstanding that (i) the Group incurred a loss attributable to equity holders of the parent of approximately HK\$217,139,000 for the period ended 30 September 2014; (ii) the Group has capital commitment of approximately HK\$14,972,000; (iii) the Group has bank borrowings of approximately HK\$563,110,000 due within one year as at 30 September 2014; and (iv), the Group’s current liabilities exceeded its current assets by approximately HK\$288,889,000 in the opinion of the directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into account the Group has unutilised banking facilities, the letter of intent obtained from the banks for their intention to renew certain of the Group’s existing banking facilities for one year upon maturity and financial support from the major shareholder of the Company. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

1. Basis of Preparation and Principal Accounting Policies (continued)**1.2 Application of new and revised HKFRSS**

In current period, the Group has applied, for the first time, the following amendments to HKFRSS issued by the HKICPA:

HKFRS 1 Amendment	Government Loans
HKFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

The application of other new and revised HKFRS in the current period has no material effect on the amount reported in these financial statements and/or disclosures set out in these financial statements.

The Group has not early applied any of the following new and revised HKFRSS that have been issued but are not yet effective for annual periods beginning on 1 October 2013:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Investment Entities ¹
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹
HKAS 19 (2011) Amendments	Defined Benefit Plans: Employee Contributions ²
Amendments to HKFRSS	Annual Improvements to HKFRSS 2010–2012 Cycle ²
Amendments to HKFRSS	Annual Improvements to HKFRSS 2011–2013 Cycle ²
HKAS 16 and HKAS 38 Amendments	Classification of Acceptable Methods of Depreciation and Amortisation ³
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants ³
HKAS 27 (2011) Amendments	Equity Method in Separate Financial Statements ³
HKFRS 10 and HKAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations ³
HKFRS 14	Regulatory Deferral Accounts ³
Amendments to HKFRSS	Annual Improvements to HKFRSS 2012–2014 Cycle ³
HKFRS 15	Revenue from Contracts with Customers ⁴
HKFRS 9 (2014)	Financial Instruments ⁵

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2018.

1. Basis of Preparation and Principal Accounting Policies (continued)**1.2 Application of new and revised HKFRSs** (continued)

The Group is in the process of making an assessment on the impact of application of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2. Prior Year Adjustments

In preparing the unaudited condensed consolidated financial statements of the Group for the twelve months ended 30 September 2014, the Directors of the Company had revisited the facts and circumstances associated with provision for social security contribution and severance payments in the People's Republic of China ("PRC") and discovered the understatement of provision for social security contribution and severance payment in prior years. As a result of a detailed review, the total comprehensive income for the year ended 30 September 2013 has been understated by approximately HK\$3,327,000 and the opening balance of equity as at 1 October 2012 have been overstated by approximately HK\$83,381,000.

As a result of the above restatements, the opening condensed consolidated statement of financial positions as at 1 October 2012 has been presented in accordance with the requirement of the HKAS1 (Revised). The effects of the prior period adjustments are summarised below:

Condensed Consolidated Statement of Comprehensive Income for the financial year ended 30 September 2013:

	(UNAUDITED) HK\$'000
Decrease in administrative expenses	(5,765)
Decrease in exchange reserve	2,438
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Increase in total comprehensive income for the year	3,327

Condensed Consolidated Statement of Financial Position:

	(UNAUDITED) 30 September 2013 HK\$'000	(UNAUDITED) 1 October 2012 HK\$'000
Equity attributable to the owners of the Company:		
Decrease in exchange reserve	2,438	–
Increase in accumulated losses	77,616	83,381
	<hr/>	<hr/>
Decrease in total equity	80,054	83,381
	<hr/>	<hr/>
Increase in accruals and other payables	80,054	83,381
	<hr/>	<hr/>
Decrease in net assets	(80,054)	(83,381)

2. Prior Year Adjustments *(continued)*

	(UNAUDITED) HK cents
Loss per share for the year ended 30 September 2013:	
Basic and diluted loss per share, as previously reported	21
Adjustments	(1)
Basic and diluted loss per share, as restated	<u>20</u>

3. Operating Segment Information

As a result of the acquisition as set out in note 20, the Group has one addition reportable business segment – Construction materials.

For management purpose, the Group is organised into business units based on their products and has three reportable operating segments as follows:

- (a) the electronic components and parts segment consists of the design, development, manufacture and sale of electronic components and parts;
- (b) the consumer electronic products segment consists of the design, development, manufacture and sale of consumer electronic products; and
- (c) the construction materials segment consists of the sale and manufacturing of steel bar for PC bar, PHC piles, ready-mixed concrete, autoclaved sand-lime bricks.

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 loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that head office and corporate expenses, share of results of a jointly venture, bank and other interest income, other income, other gains and losses, and 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 interest in a joint venture, available-for-sale investments, pledged bank deposits, cash and bank balances, and other 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 tax payable, deferred tax liabilities, interest-bearing bank and other borrowing, cash consideration payable, promissory notes 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.

3. Operating Segment Information (continued)

(a) Segment results, assets and liabilities

Twelve months ended 30 September 2014	(UNAUDITED) Electronic components and parts HK\$'000	(UNAUDITED) Consumer electronic products HK\$'000	(UNAUDITED) Construction materials HK\$'000	(UNAUDITED) Total HK\$'000
Segment revenue				
Revenue from external customers	325,451	395,027	176,477	896,955
Reportable segment loss from operations	(98,388)	(112,557)	17,146	(193,799)
<i>Reconciliation:</i>				
Other income				39,126
Other gains and losses				(1,504)
Finance costs				(43,302)
Share of loss of a joint venture				(611)
Unallocated head office and corporate expenses				(4,840)
Loss before tax				(204,930)
Other segment information:				
Capital expenditure#	12,950	14,302	54	27,306
Depreciation*	(40,581)	(45,221)	(9,165)	(94,967)
Amortisation of prepaid land lease payments*	(936)	(1,032)	(334)	(2,302)
Reversal of write down of inventories to net realisable value, net*	2,701	2,980	-	5,681
Provision of impairment of trade receivables, net*	(10,985)	(12,122)	-	(23,107)
At 30 September 2014				
Segment assets	356,332	404,943	770,962	1,532,237
Segment liabilities	126,388	159,924	297,865	584,177

3. Operating Segment Information (continued)(a) *Segment results, assets and liabilities* (continued)

	(RESTATED) Electronic components and parts HK\$'000	(RESTATED) Consumer electronic products HK\$'000	(RESTATED) Construction materials HK\$'000	(RESTATED) Total HK\$'000
Twelve months ended 30 September 2013				
Segment revenue				
Revenue from external customers	211,999	576,348	–	788,347
Reportable segment loss from operations	(46,891)	(118,997)	–	(165,888)
<i>Reconciliation:</i>				
Other income				13,742
Other gains and losses				2,840
Finance costs				(40,372)
Share of loss of a joint venture				(7,561)
Unallocated head office and corporate expenses				(3,672)
Loss before tax				(200,911)
Other segment information:				
Capital expenditure [#]	4,229	10,752	–	14,981
Depreciation*	(25,329)	(63,680)	–	(89,009)
Amortisation of prepaid land lease payments*	(531)	(1,327)	–	(1,858)
Reversal of write down of inventories to net realisable value, net*	3,077	7,691	–	10,768
Reversal of impairment of trade receivables, net*	1,982	5,539	–	7,521
At 30 September 2013				
Segment assets	255,793	642,418	–	898,211
Segment liabilities	71,859	199,351	–	271,210

* Included in the "Reportable Segment (loss)/profit from operations" disclosed above.

Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments.

3. Operating Segment Information (continued)**(b) Geographic information**

The geographical location of revenue information is based on the location of customers at which the services were provided or the goods delivered. The Group's non-current assets are based on the locations of the assets and exclude interest in a joint venture, available-for-sale investments, deferred tax assets and deposits paid for acquisition of land use rights and property, plant and equipment.

	Hong Kong		PRC		Other Asian countries*		American countries**		European countries***		African countries****		Consolidated	
	(UNAUDITED)	(AUDITED)	(UNAUDITED)	(AUDITED)	(UNAUDITED)	(AUDITED)	(UNAUDITED)	(AUDITED)	(UNAUDITED)	(AUDITED)	(UNAUDITED)	(AUDITED)	(UNAUDITED)	(AUDITED)
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Twelve months ended														
30 September														
Revenue from external customers	24,755	28,926	328,760	172,865	119,500	226,253	382,103	201,599	27,388	135,363	14,449	23,341	896,955	788,347
As at 30 September														
Non-current assets *****	31,614	31,720	695,576	557,145	-	-	-	-	-	-	-	-	727,190	588,865

* Other Asian countries principally included Indonesia, Japan, Korea, Taiwan and Pakistan.

** American countries principally included the United States, Chile, Peru, Argentina, Mexico and Brazil.

*** European countries principally included Poland, Spain, France, Germany and England.

**** African countries principally included Lagos, Nigeria, Kenya and Egypt.

***** Non-current assets information above is based on the location of assets and excluded available-for-sale investments, deferred tax assets, interest in a joint venture and deposits paid for acquisition of land use rights and property, plant and equipment.

(c) Information about major customers

There was no single customer individually contributed over 10% of the Group's total revenue during the period (year ended 30 September 2013: one). For the year ended 30 September 2013, the total revenue earned from this customer amounted to HK\$94,783,000.

4. Revenue*Revenue*

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

5. Other Income

**Twelve months ended
30 September**

	(UNAUDITED) 2014 HK\$'000	(RESTATED) 2013 HK\$'000
Bank interest income	3,189	349
Interest income from loan receivables	–	2,358
Dividend income from available-for-sale investment	64	244
Rental income	7,183	2,399
Government subsidies (note)	15,088	3,474
Handling fee income	–	3,945
Others	13,602	973
	39,126	13,742

Note: The Group successfully applied for and received unconditional government subsidies from the PRC authority. The purpose of the subsidies is to encourage (i) the sale to foreign countries and (ii) innovation by granting financial assistance to commercial entries for developing and manufacturing high-tech products.

6. Other Gains and Losses

**Twelve months ended
30 September**

	(UNAUDITED) 2014 HK\$'000	(RESTATED) 2013 HK\$'000
Loss on disposal of property plant and equipment	(4,722)	–
Provision for impairment on the amount due from joint venture	–	(331)
Provision for impairment on other receivables	–	(2,029)
Foreign exchange gain, net	1,401	3,669
Fair value (loss)/gain of investment properties	(1,155)	4,164
(Impairment)/Reversal of impairment on trade receivables, net	(23,107)	7,521
Loss on disposal of available-for-sale investments	(255)	(1,295)
	(27,838)	11,699

7. Finance Costs

	Twelve months ended 30 September	
	(UNAUDITED) 2014 HK\$'000	(AUDITED) 2013 HK\$'000
Interest on bank loans wholly repayable within five years or on demand	34,635	40,372
Imputed interest expenses on cash consideration payable	5,776	–
Imputed interest expenses on promissory note maturing within five years	2,891	–
	<u>43,302</u>	<u>40,372</u>

8. Loss Before Tax

	Twelve months ended 30 September	
	(UNAUDITED) 2014 HK\$'000	(RESTATED) 2013 HK\$'000
The Group's loss before tax is arrived at after charging/(crediting):		
Cost of inventories sold*	872,499	784,760
Depreciation	94,967	89,009
Amortisation of prepaid land lease payments*	2,302	1,858
Employee benefits expense (including directors' emoluments):		
Pension scheme contributions	10,527	10,433
Reversal of provision for long service payment, net	(83)	(53)
Equity-settled share-based payments expenses	1,618	1,986
Salaries, wages and allowances	152,447	190,917
	<u>164,509</u>	<u>203,283</u>

* These items are wholly included in "cost of sales" in the condensed consolidated income statement.

9. Income Tax Expenses

No provision for Hong Kong profits tax has been made during the period as the Group did not generate any assessable profits arising in Hong Kong (year ended 30 September 2013: Nil). Subsidiaries established in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (year ended 30 September 2013: 25%).

	Twelve months ended 30 September	
	(UNAUDITED) 2014 HK\$'000	(AUDITED) 2013 HK\$'000
Current tax – PRC	8,651	5,702
Deferred tax	(133)	945
	8,518	6,647

10. Interim Dividend

No dividend has been paid or declared during the period, nor has any dividend been proposed since the end of the reporting period (year ended 30 September 2013: HK\$Nil).

11. Loss Per Share

The calculation of basic loss per share amount is based on the loss for the period attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculations of basic and diluted loss per share are based on:

	Twelve months ended 30 September	
	(UNAUDITED) 2014 HK\$'000	(RESTATED) 2013 HK\$'000
Loss:		
Loss attributed to owners of the Company for the purpose of basic and diluted loss per share	217,139	207,558
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,056,285	1,016,001

For the period ended 30 September 2014, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and exercise of outstanding share options as they had an anti-dilutive effect on the loss per share calculation. (year ended 30 September 2013: Nil).

12. Property, Plant and Equipment and prepaid land lease payments

During the period, the Group spent approximately HK\$27,306,000 (year ended 30 September 2013: HK\$14,981,000) on additions to construction in progress, plant and machinery and prepaid land lease payments to upgrade its manufacturing capabilities.

As at 30 September 2014 and up to the date of approval of these financial statements, the Group is in the process of applying for the land use right certificates and property title certificates in respect of certain properties located in Fujian and Yangjiang, in which the Group has interests and for which such certificates have not been granted. As at 30 September 2014, the carrying value of such properties of the Group amounted to HK\$30,768,000 (30 September 2013: HK\$34,123,000). The directors of the Company are of the opinion that the use of land and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant land use right certificates and property title certificates.

13. Goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU") identified as follows:

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Construction material business	163,873	—
	163,873	—

The recoverable amounts of the CGU have been determined based on the fair value less cost to sell of the CGU to which the goodwill relates. As the goodwill is attributable to the acquisition of business as stated in note 20 to the financial statements, which occurred close to period ended 30 September 2014, the directors of the Company is of the opinion that the recoverable amount of the goodwill can make reference to the arms-length purchase price paid on the business combination and therefore no impairment loss is recognised.

14. Trade Receivables

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Trade receivables	401,176	226,296
Impairment	(43,925)	(20,818)
	357,251	205,478

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 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.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Within 3 months	224,189	100,757
4 to 6 months	61,882	75,475
Over 7 months	71,180	29,246
	357,251	205,478

The movement in provision for impairment of trade receivables are as follows:

	Twelve months ended 30 September	
	(UNAUDITED) 2014 HK\$'000	(AUDITED) 2013 HK\$'000
Balance at beginning of the period/financial year	20,818	41,057
Impairment losses recognised	37,119	13,105
Impairment losses reversed	(14,012)	(20,626)
Amount written-off as uncollectible	–	(13,615)
Exchange realignment	–	897
Balance at end of the period/financial year	43,925	20,818

The individually impaired trade receivables related to customers that were in financial difficulties and overdue for more than one year and management assessed that the recoverability of these receivables is in doubt. The Group does not hold any collateral over these balances.

14. Trade Receivables (continued)

The aged analysis of trade receivables that are not individually or collectively considered to be impaired is as follows:

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Neither past due nor impaired	72,438	43,452
Within 3 months past due	173,556	57,305
4 to 6 months past due	56,164	75,475
Over 7 months past due	55,093	29,246
	357,251	205,478

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

15. Trade and Bill Payables

The following is an aging analysis of trade and bill payables presented based on invoice date as at the end of the reporting period:

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Within 3 months	163,954	71,656
4 to 6 months	65,265	34,910
7 to 12 months	26,504	7,683
Over 1 year	54,255	7,081
	309,978	121,330

The trade payables are non-interest bearing and average credit period on purchases is 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

16. Interest-Bearing Bank Borrowings

	(UNAUDITED) 30 September 2014			(AUDITED) 30 September 2013		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
Current						
Trust receipt loans – secured	2.75	2014–2015	2,264	2.75	2013	1,817
Bank loans – secured	6.6–8.4	2014–2015	411,805	2.39–7.08	2013–2014	198,608
Bank loans – unsecured	7.2	2014–2015	149,041	5.44–6.9	2013–2014	125,110
			<u>563,110</u>			<u>325,535</u>
Non-current						
Bank loans – secured	7.38–8.61	2016	29,634	–	–	–
			<u>592,744</u>			<u>325,535</u>

The current and non-current borrowings were scheduled to repay as follows:

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Within one year or on demand	563,110	325,535
More than one year, but not exceeding two years	16,393	–
More than two years, but not exceeding five years	13,241	–
	<u>592,744</u>	<u>325,535</u>

Notes:

- (a) Certain of the Group's bank borrowings are secured by:
- (i) certain leasehold land and buildings of HK\$156,532,000 (30 September 2013: HK\$110,653,000);
 - (ii) investment property of HK\$21,510,000 (30 September 2013: HK\$21,510,000);
 - (iii) certain prepaid land lease payments of HK\$16,956,000 (30 September 2013: HK\$14,217,000);
 - (iv) pledged bank deposits amounted of HK\$16,846,000 (30 September 2013: nil);
 - (v) certain other receivables of HK\$5,253,000 respectively (30 September 2013: nil);

16. Interest-Bearing Bank Borrowings *(continued)*Notes: *(continued)*

- (a) Certain of the Group's bank borrowings are secured by: *(continued)*
- (vi) certain inventories of HK\$15,279,000 (30 September 2013: nil);
 - (vii) certain pledged properties held by the directors of the Company;
 - (viii) corporate guarantee executed by the Company and certain subsidiaries within the Group; and
 - (ix) personal guarantee executed by the Company's directors.
- (b) Except for the unsecured bank loan of HK\$116,201,000 (30 September 2013: HK\$113,490,000) and secured loans of HK\$83,857,000 (30 September 2013: HK\$98,989,000) which bear interests at fixed interest rate, all other borrowings bear interests at floating interest rates.

17. Share Capital

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Issued and fully paid:		
At 1 October 2012, 30 September 2013 and 1 October 2013	1,016,001,301	101,600
Share option exercised (note (a))	6,500,000	650
Issue of shares (note (b))	399,999,998	40,000
At 30 September 2014	1,422,501,299	142,250

Notes:

- (a) During the period ended 30 September 2014, option exercised resulted in 6,500,000 shares being issued at a weighted average price HK\$0.19 each. The related weighted average share price at the time of exercise was HK\$0.34 per share.
- (b) During the period ended 30 September 2014, convertible notes of the Company with an aggregate principal amount of approximately HK\$120,000,000 were converted into 399,999,998 shares of the Company of HK\$0.1 each at a conversion price of HK\$0.3 per ordinary share (note 19). These shares rank pari passu in all respects with other shares in issue.

18. Promissory Note

On 2 May 2014, the Company issued HK\$100,000,000 promissory note in connection with the acquisition of the Target Group as stated in note 20. The promissory note will be matured on 2 May 2017. The promissory note carried zero interest rate per annum. The Company may, at its option, make early repayment before the maturity date without penalty. At the issue date, the provisional fair value of promissory notes is HK\$77,350,000. The effective interest rate of the promissory note is determined to be 8.84% per annum.

The movement on the promissory note during the period are as follows:

	(UNAUDITED) 30 September 2014 HK\$'000
At date of issuance on 2 May 2014	77,350
Imputed interest expense (Note 7)	2,891
	<hr/>
Carrying value as at 30 September 2014	80,241
	<hr/>

19. Convertible Notes*Issue of convertible notes on 2 May 2014*

On 2 May 2014, the Company issued the convertible notes with an aggregate amount of HK\$300,000,000 in connection with the acquisition of the Target Group as stated in note 20. The convertible notes are denominated in Hong Kong dollars. The convertible notes carried 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\$0.3 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. 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.

The Company has the right to early redeem the convertible notes before the maturity date.

As the convertible notes have no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition for classification of financial liabilities under HKAS 32. As a result, the whole instrument is classified as equity.

At issuing date, the Company determined the provisional fair value of the equity component using trinomial tree model and partial differential equation method.

19. Convertible Notes *(continued)*

The movement of the equity component of the convertible notes were as follows:

	(UNAUDITED) 30 September 2014 HK\$'000
Convertible notes issued on	
2 May 2014	
At date of issuance on 2 May 2014	125,992
Conversion of convertible notes into ordinary shares	
– Transfer to share capital	(40,000)
– Transfer to share premium	(10,397)
	<hr/>
At 30 September 2014	75,595 <hr/>

20. Business Acquisition During the Period

As set out in the announcement on 2 May 2014, the Group completed the acquisition of 100% equity interest in Joint Expert Global Limited and its subsidiaries including the following entities (collectively the "Target Group"):

	Percentage of ownership interest acquired by the Company
Royal Asia International Limited	100%
Zhuhai Hoston Special Materials Co., Ltd.	95%
Guangdong Hengjia Building Materials Co., Ltd.	66.5%

The principal activities of the Target Group are 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-permeable concrete products. The acquisition was made with the aims to diversify the Group's business.

20. Business Acquisition During the Period *(continued)*

The provisional fair value of identifiable assets and liabilities of the Target Group at the date of acquisition were:

	Notes	(UNAUDITED) Fair value recognised on acquisition HK\$'000
Property, plant and equipment		179,762
Land use rights		32,304
Intangible assets		111
Deferred income tax assets		4,057
Deposit for acquisition of land use rights		5,598
Inventories		37,568
Trade and bills receivables		148,587
Prepayment, deposit and other receivables		157,588
Income tax recoverable		500
Pledged bank deposit		5,758
Cash and bank balances		5,087
Bank borrowings		(119,080)
Trade and bills payables		(148,574)
Other payables and accruals		(113,658)
Tax payables		(11,166)
Deferred tax liabilities		(5,541)
Non-controlling interest		(37,889)
		<hr/>
		141,012
Goodwill arising on acquisition		163,873
		<hr/>
		304,885
		<hr/>
Satisfied by:		
Cash consideration		129,285
Promissory notes	18	77,350
Convertible notes	19	125,992
Profit guarantee		(27,742)
		<hr/>
		304,885
		<hr/>
Net cash inflow arising on acquisition:		
Cash consideration paid (note)		–
Cash and bank balances		5,087
		<hr/>
		5,087
		<hr/>

Note: None of the cash consideration was paid as at 30 September 2014. The cash consideration will be due on 1 November 2015.

20. Business Acquisition During the Period (continued)

As at the date of these financial statements, the Group has not finalised the fair value assessments. The relevant fair values of net assets acquired stated above are on a provisional basis. The amount of fair value would be subject to change after finalisation of fair value assessment.

The above consideration transferred includes a performance-based contingent consideration, which principally based on the Target Group's profit for each of the financial years ending 31 December 2014, 2015 and 2016. The profit for each of the financial years ending 31 December 2014, 2015 and 2016 shall not be less than RMB30 million (the "Profit Guarantee"). The contingent consideration will be settled at the end of each financial year. The HK\$100 million of the convertible notes is collateral to the Profit Guarantee. The Group holds the Profit Guarantee as a security, in which case that the guaranteed profit cannot be achieved, Mr. Xian Guang Kevin and Mr. Wang Zhining, the seller and the guarantor of the Target Group respectively, shall be liable to pay the Group the deficient amount which is equal to the difference between the guaranteed profit and the audited after tax profit.

As at date of acquisition, based on the valuations using the income approach at a discount rate of 17.17%, the fair value of the contingent consideration was estimated at HK\$27,742,000.

Due to the short period from the business acquisition date and reporting date, the directors of the Company consider that the carrying value of the contingent consideration does not have a significant change from the business acquisition date. As a result, at the reporting date, the carrying amount of the contingent consideration approximates their fair values.

Since the acquisition date, the operation of the Target Group has contributed HK\$176,477,000 and HK\$10,489,000 to Group's revenue and profit or loss. If the acquisition had occurred on 1 October 2013, Group revenue and loss would have been HK\$1,199,938,000 and HK\$142,859,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 October 2013, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK\$4,105,000 have been expensed and are included in administrative expenses.

21. Operating Lease Arrangements*(a) As lessor*

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of ranging from one to five (30 September 2013: one to two) years with an option to renew the lease after that date at which time all terms are renegotiated.

At 30 September 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	(UNAUDITED) 30 September 2014 HK\$'000	(RESTATED) 30 September 2013 HK\$'000
Within one year	5,679	1,306
In the second to fifth year, inclusive	2,789	2,676
	8,468	3,982

21. Operating Lease Arrangements (continued)(b) *As lessee*

The Group leases certain of its leasehold land and buildings under operating lease arrangements. Leases for leasehold land and buildings are negotiated for terms ranging from one to three years.

At 30 September 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Within one year	7,007	1,113
In the second to fifth year, inclusive	23,126	958
Over five years	26,422	–
	56,555	2,071

22. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Group and other related parties are as follows:

(a) *Outstanding balances with related parties*

The amounts due to a director, a joint venture, and a related party are unsecured, interest-free and repayable on demand.

	(UNAUDITED) 30 September 2014 HK\$'000	(RESTATED) 30 September 2013 HK\$'000
Due to a joint venture	287	–
Due to a director	70,998	5,908
Due to a related party (note)	28,295	28,295
	99,580	34,203

Note: Included in other payables was an amount of HK\$28,295,000 (30 September 2013: HK\$28,295,000) advanced from Eagerton Group Limited, which has a common director with the Company to finance daily operation of the Group.

22. Related Party Transactions (continued)**(b) Compensation of key management personnel of the Group**

The directors of the Company are the key management personnel of the Group. Details of the directors' emoluments during the period/financial year are as follows:

	Twelve months ended 30 September	
	(UNAUDITED) 2014 HK\$'000	(AUDITED) 2013 HK\$'000
Fees	770	960
Salaries and allowances	4,749	5,717
Reversal of long service payment	(32)	(19)
Pension scheme contributions	53	45
Share-based payments	560	896
	6,100	7,599

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

(c) Related party transactions

Save as disclosed elsewhere in these financial statements, during the period, the Group carried out the following transactions with its related party.

		Twelve months ended 30 September	
		(UNAUDITED) 2014 HK\$'000	(AUDITED) 2013 HK\$'000
	Nature of Transaction		
陽春市新三馬建材有限公司	Purchases of goods	2,803	-
("新三馬") (note)	Processing of Cement	2,378	-
		5,181	-

Note: 新三馬 has a common director with the Company. Included in prepayment, deposits and other receivables was an amount due from 新三馬 of HK\$5,429,000 for expenses paid on behalf prior to the date of acquisition as stated in note 20 and HK\$3,709,000 for purchase of raw materials (30 September 2013: HK\$ Nil). The amount is unsecured, interest free and repayable on demand.

23. Commitments

The Group had the following capital commitments at the end of the reporting period:

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Contracted, but not provided for:		
Acquisition of property, plant and equipment	14,972	1,897

24. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements are as follows:

	(UNAUDITED) 30 September 2014 HK\$'000	(AUDITED) 30 September 2013 HK\$'000
Guarantees executed by the Company in favour of banks for general banking facilities granted to a subsidiary	100,000	28,000

The Company had given corporate guarantees to banks in connection with banking facilities granted by the banks to a subsidiary. At the end of the reporting period, such facilities were drawn down by the subsidiary to extent of HK\$32,264,000 (30 September 2013: HK\$6,468,000). The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiary of HK\$32,264,000 (30 September 2013: HK\$6,468,000).

The Group did not have any other significant contingent liabilities as at the end of the reporting period (30 September 2013: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

On 2 May 2014, the Group completed an acquisition of 100% equity interest in Joint Expert Global Limited and its subsidiaries (collectively the "Target Group"). The Target Group is principally engaged in the production of building and construction materials in the PRC, in particular pre-stressed ("PC") steel bars, pre-stressed high-strength concrete ("PHC") piles, ready-mixed concrete and various types of bricks.

REVIEW OF RESULTS AND OPERATION

Revenue of the Group for the period ended 30 September 2014 increased by HK\$108,608,000 or 13.8% to HK\$896,955,000, compared to HK\$788,347,000, reported last period. The increase in revenue was brought by the newly acquired construction materials business. The Group recorded gross loss of HK\$65,498,000 for the period, compared to HK\$75,838,000 last period. Gross loss margin improved from 9.6% to 7.3% this year. The improvement of gross loss was attributable by the construction materials business.

Electronics business

Consumer electronic products mainly consist of electronic calculators, watches and clocks and digital products and their respective revenues for the period were HK\$242,773,000, HK\$65,156,000 and HK\$75,854,000. It remained the largest business segment of the Group during the period and represented 44.0% of the Group's turnover. Aggregated revenue for the period was HK\$395,027,000 compared with HK\$576,348,000 last period, represented a significant decrease of HK\$181,321,000 or 31.5%. The decrease was mainly driven by the drop of revenue from electronic calculator. Shortage of labour in the PRC caused significant delay on the production lead time and thus, sales volume dropped.

Electronic components and parts mainly comprised of Chip On Glass ("COG"), Liquid Crystal Displays ("LCD") and Quartz and their respective revenue for the period were HK\$230,509,000, HK\$76,477,000 and HK\$18,092,000. Aggregated revenue for the period increased significantly by HK\$113,452,000 or 53.5% from HK\$211,999,000 in the same period last year to HK\$325,451,000. This segment has accounted for 36.3% of the Group's revenue. COG boosted up the revenue of this segment and was mainly due to the launchment of bigger size of the COG for tablet with higher selling price.

The electronics products were mainly sold in the PRC and the North/South America countries.

REVIEW OF RESULTS AND OPERATION *(continued)***Construction materials business**

From the date of acquisition to 30 September 2014, the construction materials business generated revenue of HK\$176,477,000 which was mainly attributable by sales of PC steel bars and PHC piles. All products are sold in the PRC in this segment. Segment profit derived from the construction materials business was HK\$17,146,000. The Board expects a stable stream of income from the construction materials business in the future.

All expenses were generally increased due to the acquisition of construction materials business. On the other hand, due to contraction of the electronics business, its expenses generally dropped. Selling and distribution expenses represented mainly carriage expenses. General and administrative expenses mainly consisted of administrative staff costs, directors' remuneration, legal and professional fees and various taxes paid to the PRC government. Finance costs were the bank loan interest and imputed interest expenses.

LIQUIDITY AND FINANCIAL RESOURCES

The Group usually finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and the PRC. As at 30 September 2014, the total equity of the Group was HK\$338,394,000, a decrease of 10.1% over last period. The Group's cash and bank balances and pledged bank deposits stood at HK\$158,826,000 whereas bank loans were HK\$592,744,000. The gearing ratio, which was computed by dividing the current liabilities and long-term liabilities by total equity, was 4.6 times as at the end of the reporting period.

SIGNIFICANT INVESTMENTS AND ACQUISITION

On 2 May 2014, the Group completed the acquisition of 100% equity interest in Joint Expert Global Limited and its subsidiaries. The aggregate consideration payable by the Group to the Vendor was HK\$550,000,000 and to be satisfied by cash of HK\$150,000,000 payable on 1 November 2015, convertible notes in the aggregate principal amount of HK\$300,000,000 which will be matured on 28 April 2017 and interest-free promissory note of HK\$100,000,000 which will be matured on 2 May 2017. As at the date of completion, the fair value of the aggregate consideration payable was HK\$304,885,000.

During the period, the Group incurred HK\$28,307,000 on additions to construction in progress, plant and equipment and prepaid land lease payments to upgrade its manufacturing capacity.

CAPITAL STRUCTURE

No repurchases of shares were made during the period. On 2 November 2009, the Company granted share options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK\$0.1 per share each on or before 1 November 2019. At 30 September 2014, the number of shares in respect of which options had been granted and exercisable was 64,300,000. 5,500,000 share options were lapsed and 6,500,000 share options were exercised during the period.

On 2 May 2014, the Company issued convertible notes with an aggregate amount of HK\$300,000,000 in connection with the acquisition of the Target Group. The convertible notes will be matured on 28 April 2017. During the period, the convertible notes with an aggregate carrying amount of HK\$50,397,000 had been exercised. 399,999,998 ordinary shares of HK\$0.1 per share each has been issued accordingly.

PLEDGE OF ASSETS

The Group's certain leasehold land and buildings of HK\$156,532,000, certain prepaid land lease payments of HK\$16,956,000, an investment property of HK\$21,510,000, time deposits of HK\$16,846,000, certain inventories of HK\$15,279,000, and certain other receivable of HK\$5,253,000 are used to secure banking facilities for the Group.

APPLICATIONS OF PROCEEDS OF SHARE OFFER

The remaining balance of approximately HK\$65.4 million of the net proceeds raised from the share offer in 1999 has been allocated to the investment in the joint venture, Taiwan Communication (Fujian) Company Ltd. As progress of the projects as implemented by Taiwan Communication (Fujian) Company Ltd proceeded at a slower pace than anticipated, the Directors are considering allocating part of such proceeds to other investment opportunities. If any specific targets are identified, the Directors will make announcement in accordance with the applicable rules.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2014, the Group has approximately 3,700 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.

FOREIGN EXCHANGE AND CURRENCY RISKS

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB"), United States Dollars ("USD") 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 USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB against USD. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

CONTINGENT LIABILITIES

As at 30 September 2014, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to a subsidiary of the Company amounting to HK\$100,000,000 and such facilities were utilised to the extent of HK\$32,264,000.

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 period.

PROSPECT

Profit arising from the construction materials business brings a positive signal to the Group. Looking forward, we will strengthen the knowledge in the construction materials business and aspire to expand in this area.

Aligning with the Group's strategy to diversify its business, the Acquisition has provided a good opportunity to tap into the PRC's construction materials market. The Board expects that the Target Group will become a driver to enhance growth and overall performance of the Group in the future.

Negative impacts on the electronics business remained in place in the second half of the period. We had been planning group restructuring to better allocate the Group's assets. We will consider to scale down certain loss-making electronics manufacturing business and dispose the existing assets. Preliminary discussions have been taken place but no terms and conditions have been agreed as at the date thereof.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2014, the interests of the Directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest		Percentage of the company's issued share capital
	Directly beneficially owned	Through controlled corporation	
Executive Directors:			
Ms Wong King Ching, Helen	200,000	280,000,000 (Note 1)	
Ms Wong King Man	49,648,000 (Note 2)	280,000,000 (Note 1)	
Non-executive Directors:			
Ms Wong Chun Ying (Note 3)	49,648,000 (Note 2)	—	
Mr Wong Kim Seong (Note 3)	10,000,000	—	
	<u>59,848,000</u>	<u>280,000,000</u>	<u>23.9%</u>

Notes:

- These shares are beneficially owned by Farnell Profits Limited, the entire issued share capital of which was previously held by the late Mr Wong Choi Fung ("Mr Wong") and currently forms part of the estate of the late Mr Wong. Ms Wong King Ching, Helen and Ms Wong King Man, Directors of the Company, are beneficiaries of the said estate, whose interest in the shares of Farnell Profits Limited is not yet ascertained until completion of the administration of estate of the late Mr Wong.
- These shares are jointly held by Ms Wong King Man and Ms Wong Chun Ying.
- Ms Wong Chun Ying and Mr Wong Kim Seong resigned as Non-executive Director on 2 May 2014.

The interests of the Directors in the share options of the Company are separately disclosed in the section "Share Option Scheme" below.

SHARE OPTION SCHEME

The Company adopted a share option scheme effective on 25 February 2003 (the "Scheme") for the purpose of providing incentives and rewards to the eligible participants who contribute to the growth and development of the Group. The Scheme was expired on 25 February 2013. Pursuant to the Scheme, the Company granted options to certain directors and employees on 2 November 2009 to subscribe for a total of 90,600,000 ordinary shares of HK\$0.1 per share each on or before 1 November 2019.

Particulars of outstanding share options under the Scheme of the Company and options granted during the period were as follows:

Name or category of participant	Date of grant of share options		Exercise period of share options	Number of share options at 1 October 2013	Lapsed during the period	Exercise during the period	Number of share options at 30 September 2014	Exercise price of share options HK\$	Price of Company's share at date of grant of options HK\$
	Vesting period								
Executive Directors	2.11.2009	Immediate	2.11.2009 – 1.11.2019	4,500,000	-	-	4,500,000*	0.19	0.19
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	4,500,000	-	-	4,500,000*	0.19	0.19
		2.11.2010 – 1.11.2011	2.11.2011 – 1.11.2019	4,500,000	-	-	4,500,000*	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	4,500,000	-	-	4,500,000*	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	4,500,000	-	-	4,500,000*	0.19	0.19
Non-executive Director (resigned on 2 May 2014)	2.11.2009	Immediate	2.11.2009 – 1.11.2019	2,000,000	-	-	2,000,000*	0.19	0.19
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	2,000,000	-	-	2,000,000*	0.19	0.19
		2.11.2010 – 1.11.2011	2.11.2011 – 1.11.2019	2,000,000	-	-	2,000,000*	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	2,000,000	-	-	2,000,000*	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	2,000,000	-	-	2,000,000*	0.19	0.19
Independent Non-executive Directors	2.11.2009	Immediate	2.11.2009 – 1.11.2019	1,500,000	-	-	1,500,000*	0.19	0.19
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	1,500,000	-	-	1,500,000*	0.19	0.19
		2.11.2010 – 1.11.2011	2.11.2011 – 1.11.2019	1,500,000	-	-	1,500,000*	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	1,500,000	-	-	1,500,000*	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	500,000	-	-	500,000*	0.19	0.19

SHARE OPTION SCHEME (continued)

Name or category of participant	Date of grant of share options		Exercise period of share options	Number of share options at 1 October 2013	Lapsed during the period	Exercise during the period	Number of share options at 30 September 2014	Exercise price of share options HK\$	Price of share at date of grant of options HK\$
	Vesting period								
Associate of a Director	2.11.2009	Immediate	2.11.2009 – 1.11.2019	2,000,000	–	–	2,000,000*	0.19	0.19
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	2,000,000	–	–	2,000,000*	0.19	0.19
		2.11.2010 – 1.11.2011	2.11.2011 – 1.11.2019	2,000,000	–	–	2,000,000*	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	2,000,000	–	–	2,000,000*	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	2,000,000	–	–	2,000,000*	0.19	0.19
Employees	2.11.2009	Immediate	2.11.2009 – 1.11.2019	5,460,000	(1,100,000)	(1,300,000)	3,060,000*	0.19	0.19
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	5,460,000	(1,100,000)	(1,300,000)	3,060,000*	0.19	0.19
		2.11.2010 – 1.11.2011	2.11.2011 – 1.11.2019	5,460,000	(1,100,000)	(1,300,000)	3,060,000*	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	5,460,000	(1,100,000)	(1,300,000)	3,060,000*	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	5,460,000	(1,100,000)	(1,300,000)	3,060,000*	0.19	0.19
				<u>76,300,000</u>			<u>64,300,000</u>		
							<u>64,300,000</u>		

* Exercisable as at the end of the reporting period

Shareholders can refer to the Annual Report 2013 of the Company issued in December 2013 for further details of the share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" as disclosed in the immediately preceding section, at no time during the period were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2014, so far as is known to the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of underlying shares	Percentage of shareholding (Note 1)
Lin Zhen Jun	Beneficial owner	133,333,333	9.37%
Xu Dun	Beneficial owner	100,000,000	7.03%
Xiao Guang, Kevin (Note 2)	Beneficial owner	550,000,000	38.66%

Note:

1. This percentage is based on 1,422,501,299 ordinary shares of the Company issued as at 30 September 2014.
2. Xiao Guang, Kevin is interested in principal amount of convertible notes of HK\$165,000,000 issued on 2 May 2014 by the Company which are convertible into ordinary shares at conversion price of HK\$0.3 per share.

Save as disclosed above, as at 30 September 2014, the Company had not been notified of any persons (other than the Directors and chief executive of the Company) having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

AUDIT COMMITTEE

The Audit Committee, comprises the three Independent Non-executive Directors of the Company, has discussed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters related to the preparation of the unaudited interim results for the period ended 30 September 2014. The Group's unaudited second interim results for the twelve months ended 30 September 2014 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee, comprises the three Independent Non-executive Directors of the Company, the Chairman and Mr. Leung Chi Fai, the Finance Director of the Company, is responsible for reviewing and evaluating the remuneration packages of the Executive Directors and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The Nomination Committee comprises Ms. Wong King Ching, Helen, Ms. Wong King Man and Mr. Leung Chi Fai, the Executive Directors, and the three Independent Non-executive Directors of the Company. It is responsible for the appointment of new directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become directors when necessary. In evaluating whether an appointee is suitable to act as a director, the Committee will consider the experience, qualification and other relevant factors.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the change in information of directors of the Company during the Reporting Period and up to the date of this report are as follows:

Name of directors	Particulars	Effective date
Wong Chun Ying	resigned as Non-executive Director	2 May 2014
Wong Kim Seong	resigned as Non-executive Director	2 May 2014
Lin Yepan	appointed as Executive Director	2 May 2014
Wang Tian	appointed as Executive Director	2 May 2014

CORPORATE GOVERNANCE

Code On Corporate Governance Practices

The Company has complied with the code provisions as set out in the “Code On Corporate Governance Practices” contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the twelve months ended 30 September 2014, except for the following deviations:

Code Provision A.2.1

Under Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

During the reporting period, Ms. Wong King Ching, Helen holds both positions of the Chairman and the Chief Executive Officer of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Ms. Wong to hold both positions as it helps to maintain the continuity of the Company’s policies and the stability of the Company’s operations.

Code Provision A.4.1 and A.4.2

Under Code Provision A.4.1, the Non-executive Directors should be appointed for a specific term, subject to re-election.

CORPORATE GOVERNANCE *(continued)***Code On Corporate Governance Practices** *(continued)**Code Provision A.4.1 and A.4.2 (continued)*

The Independent Non-executive Directors of the Company are not appointed for specific terms. According to the Company's Bye-Law 111(A), one third of the Directors shall retire from the office by rotation at each Annual General Meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the Code.

Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's Bye-Law 111(A) states that the Chairman is not subject to retirement by rotation and shall not be counted in determining the number of directors to retire. In the opinion of the Board, the continuity of leadership role of the Chairman is important for the stability of the Company and is considered beneficial to the growth of the Company. The Board is of the view that the Chairman should not be subject to retirement by rotation at the present time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirms that all directors of the Company have complied with required standard set out in the Model Code for the period under review.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises:

Executive Directors:

Wong King Ching, Helen
Wong King Man
Leung Chi Fai
Lin Yegan
Wang Tian

Independent Non-executive Directors:

Fong Yin Cheung
Hung Yat Ming
So Day Wing

By Order of the Board of
Sunway International Holdings Limited
Wong King Ching, Helen
Chairman

Hong Kong, 14 November 2014