SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 00058

ANNUAL REPORT 2016

CONTENTS

Corporate Information

DIRECTORS

Executive Directors:

Huang Weidong *(Chairman)*
Leung Chi Fai *(Finance Director)*
Li Chongyang
Qi Jiao

Independent non-executive Directors:

Cong Yongjian
Lam Kai Yeung
Liu Chenli

COMPANY SECRETARY

Leung Chi Fai

AUTHORISED REPRESENTATIVES

Leung Chi Fai
Li Chongyang

AUDIT COMMITTEE

Lam Kai Yeung *(Chairman)*
Cong Yongjian
Liu Chenli

NOMINATION COMMITTEE

Huang Weidong *(Chairman)*
Leung Chi Fai
Cong Yongjian
Lam Kai Yeung
Liu Chenli

REMUNERATION COMMITTEE

Lam Kai Yeung *(Chairman)*
Huang Weidong
Leung Chi Fai
Cong Yongjian
Liu Chenli

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1902, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701–3&8, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISERS

As to Bermuda law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

As to Hong Kong law:
Angela Ho & Associates
Unit 1405, 14/F
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

In Hong Kong:
Bank of Communications Co., Ltd, Hong Kong Branch
Dah Sing Bank Limited
Industrial Bank Co., Ltd, Hong Kong Branch

In the People's Republic of China:
Guangdong Yangdong Rural Commercial Bank
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited

WEBSITE

http://www.irasia.com/listco/hk/sunway

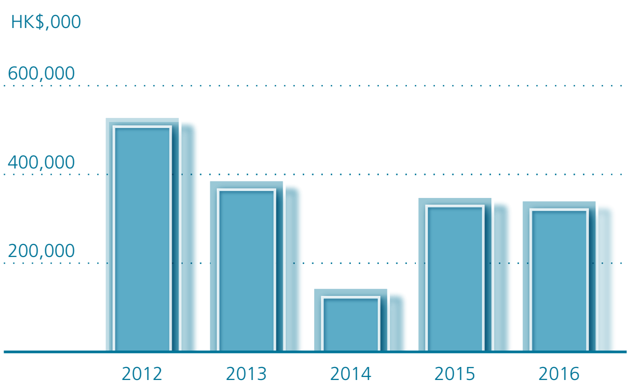
STOCK CODE

The Stock Exchange of Hong Kong Limited: 58

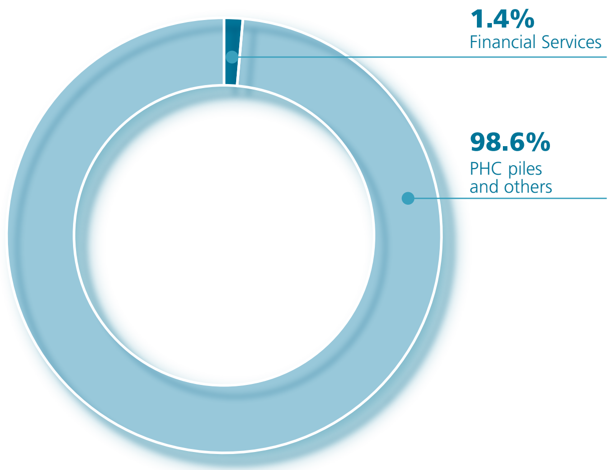
Financial Highlights

	2016 HK$'000	2015 HK$'000 (Restated)
OPERATING RESULTS		
Revenue	**245,627**	343,526
(Loss)/profit for the year	**(180,612)**	400,687
(Loss)/profit for the year attributable to owners of the Company	**(183,049)**	390,554
(Loss) earnings per share – basic and diluted	**HK(5 cents)**	HK17 cents
Proposed final dividend per share	**Nil**	Nil
FINANCIAL POSITION		
Total assets	**550,627**	553,976
Total liabilities	**146,049**	143,226
Pledged bank deposits and cash and cash equivalents	**46,107**	24,115
Equity attributable to owners of the Company	**342,357**	350,198
FINANCIAL RATIOS		
Current ratio	**3.07**	2.42
Gearing ratio	**0.36**	0.35

Equity attributable to owners of the Company



Revenue by business segments



Chairman's Statement

On behalf of the board of directors (the "Board") of Sunway International Holdings Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2016.

The Company raised approximately HK$209.5 million from the open offer in May 2016 and allocate the proceeds to develop the financial services business and enhance the general working capital of the Group. In 2016, the Group commenced a new financial services segment.

During the year, 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. Also, 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).

As at 31 December 2016, the Group granted loans in a total amount of HK$120 million to customers and its interest income contributed approximately HK$3.5 million to the revenue of the Group from the financial services segment.

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

We aim to maintain a stable growth in the financial services business by strengthen the existing services, continuing development of further comprehensive financial services and offering high quality personal services to our valuable customers.

Looking forward, we expect business and investment outlook remains challenging. We remain cautious in monitoring the costs and apply the various cost effective measures in order to improve the financial performance of the Group and maintain its competitiveness. We will try our best effort to ensure the Group to maintain a sustainable growth for the Group to maximize shareholders' value.

On behalf of the Board, I would like to express my sincere gratitude to our management and staff for their invaluable effort and contributions in the past year. I would also like to thank our shareholders, customers and suppliers for their continuous support.

Huang Weidong
Chairman

Hong Kong
31 March 2017

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, 廣東恒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.

In last year, Zhuhai Hoston has made a provision for impairment loss of prepayments of HK39,733,000 which may involve possible commercial crimes committed by two former directors of Zhuhai Hoston. In the opinion of the auditor of the company, ZHONGHUI ANDA CPA Limited, there is no sufficient appropriate audit evidence can be obtained to determine whether it should be recorded in the year 2015 or the years before. Further information of the auditor's opinion is set out in the "Independent Auditor's Report" on page 27 to 30.

Financial Services Business

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 services 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$23,273,000 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 14 to the consolidated financial statements, 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 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 35 to the consolidated financial statements 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 Guaranteed Profit, 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.

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. Details of the Share Option Scheme 2016 are set out in note 37 to the consolidated financial statements.

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$23,533,000 (2015: HK$25,553,000), and certain plant and machinery of HK$8,535,000 (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 report, 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 Zhuhui 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 report, 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 report, 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 report, 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 report, 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 report, 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.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Huang Weidong, aged 49, joined the Company in 2015 and is the Chairman of the Board. Mr. Huang graduated from Xiamen University with an Executive Master of Business Administration in 2013 and has extensive experience in corporate management. Mr. Huang is brother-in-law of Ms. Xie Guilin, a substantial shareholder of the Company.

Mr. Leung Chi Fai, aged 50, joined the Company in 1999 and is the Finance Director and Company Secretary of the Company. Mr. Leung is responsible for overseeing the Group's finance, accounting and corporate secretarial functions. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Li Chongyang, aged 45, joined the Company in 2015. Mr. Li graduated from Shanghai Maritime University (formerly known as 上海海運學院 (Shanghai Maritime Institute*)) majoring in International Maritime and International Economics Law. Mr. Li has over 20 years of experience in corporate management and logistics management.

Ms. Qi Jiao, aged 26, joined the Company in 2015. Ms. Qi has completed her studies of Hospitality Administration and Business Management in Singapore in 2012. Ms. Qi is experienced in marketing and strategic planning.

Independent non-executive Directors

Mr. Cong Yongjian, aged 42, received a degree of Master of Laws from the University of International Business and Economics in PRC as well as a degree of Master of Laws from Cornell University in the United States of America ("USA") respectively. He is a trained attorney admitted in PRC and New York, the USA. He has over 15 years of legal practice experience representing in-house clients on various investment related issues.

Mr. Cong was a founding member of China Development Bank International Holdings Ltd ("CDBI"), where he served on the Investment Committee, also was in charge of fund formation department and legal/risk management department. At CDBI, He led a number of high profile transactions, i.e., US$200 million equity investment to Alibaba Group as well as many privatization transactions.

Prior to joining CDBI, Mr. Cong was with J. P. Morgan and Standard Chartered, where he participated in a large number of merger and acquisitions transactions, private equity investments, real estate investments, mezzanine financings, and other special situations investments. Mr. Cong has substantial experience in investment and risk management.

Biographical Details of Directors and Senior Management

Mr. Lam Kai Yeung, aged 47, is a fellow of the Association of Chartered Certified Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Lam obtained a bachelor degree of accounting from Xiamen University in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010. Mr. Lam is a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Mr. Lam was the company secretary and qualified accountant of Hunan Nonferrous Metals Corporation Limited (stock code: 2626), a company listed on the Main Board of the Stock Exchange and had delisted from the Stock Exchange in March 2015, from July 2006 to August 2013. Mr. Lam has been an independent non-executive director of Northeast Tiger Pharmaceutical Company Limited (stock code: 8197), a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange, from August 2008 to June 2015; an non-executive director of Ping Shan Tea Group Limited (stock code: 364), a company listed on the Main Board of the Stock Exchange, from December 2014 to May 2015.

Mr. Lam is an independent non-executive director of Silverman Holdings Limited (stock code: 1616), a company listed on the Main Board of the Stock Exchange, since June 2012; an independent non-executive director of Highlight China IoT International Limited (formerly known as Ford Glory Group Holdings Limited) (stock code: 1682), a company listed on the Main Board of the Stock Exchange, since August 2014; an independent non-executive director of Finsoft Financial Investment Holdings Limited (stock code: 8018), a company listed on the GEM of the Stock Exchange, since June 2015; an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, since October 2015; and an independent non-executive Director of Holly Futures Co., Ltd. (Stock Code: 3678), a company listed on the Main Board of the Stock Exchange since June 2015.

Mr. Liu Chenli, aged 36, graduated from the University of Hong Kong with a degree of Doctor of Philosophy in 2011. Mr. Liu is a Professor of Shenzhen Institute of Advanced Technology, Chinese Academy of Sciences and specialized in Synthetic Biology Engineering Research.

SENIOR MANAGEMENT

Mr. Lin Yepan, aged 43, was graduated from the Renmin University of China. He joined Guangdong Hengjia as the general manager and since 2011 has been appointed as the director of Guangdong Hengjia. He is responsible for directing business development and overseeing daily operations of the PHC piles and other businesses. He was an executive director of the Company from 2 May 2014 to 19 May 2015.

Mr. Lin Zhenjun, aged 43, has been the Chairman of Guangdong Hengjia since 2007. Mr. Lin has over 10 years of supervisory experience.

Mr. Tan Jin, aged 48, joined Guangdong Hengjia since 2009 and acted as legal representative and director of Zhuhai Hoston since May 2015. Mr. Tan has substantial management experience and is responsible for Zhuhai Hoston's daily management.

Mr. Xu Dun, aged 52, was graduated from the Open University of China. Mr. Xu held the position of the director Guangdong Hengjia since 2011.

Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and trading of pre-stressed steel bars, pre-stressed high strength concrete piles, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-permeable concrete products and provision of financial services.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2016 are set out in note 43 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2016 are set out under the section headed "Management Discussion and Analysis" of this report on pages 5 to 11.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2016 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 31 to 110 of this report.

The Directors do not recommend the payment of final dividend in respect of current financial year to the shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Movements in the Company's share capital during the year are set out in note 34 to the consolidated financial statements.

Details of the share option scheme and convertible notes are set out in note 37 and note 35 to the consolidated financial statements, respectively.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 36 to the consolidated financial statements.

Details of movements in the reserves of the Company during the year are set out in note 45 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 46 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years/period, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

RESULTS	Year ended 31 December		Period from 1 October 2013 to 31 December	Year ended 30 September	
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
LOSS BEFORE TAX	**(179,071)**	(74,061)	(61,003)	(12,905)	(9,600)
Income tax expenses	**(1,541)**	(9,325)	(7,640)	–	–
LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	**(180,612)**	(83,386)	(68,643)	(12,905)	(9,600)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year/period from discontinued operations	**–**	484,073	(310,372)	(193,540)	(201,348)
LOSS/(PROFIT) FOR THE YEAR/PERIOD	**(180,612)**	400,687	(379,015)	(206,445)	(210,948)
Attributable to:					
Owners of the Company	**(183,049)**	390,554	(384,104)	(206,445)	(210,948)
Non-controlling interests	**2,437**	10,133	5,089	–	–
	(180,612)	400,687	(379,015)	(206,445)	(210,948)

ASSETS AND LIABILITIES	As at 31 December			As at 30 September	
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Non-current assets	**171,191**	268,491	345,701	606,438	616,756
Current assets	**379,436**	285,485	1,323,343	625,786	910,034
TOTAL ASSETS	**550,627**	553,976	1,669,044	1,232,224	1,526,790
Current liabilities	**123,727**	118,072	1,227,773	632,097	950,508
Non-current liabilities	**22,322**	25,154	243,077	214,452	48,790
TOTAL LIABILITIES	**146,049**	143,226	1,470,850	846,549	999,298
NET ASSETS	**404,578**	410,750	198,194	385,675	527,492
NON-CONTROLLING INTERESTS	**62,221**	60,552	53,486	–	–

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 42% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 14% of the Group's total purchases for the year.

None of the Directors or any of their associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

EMOLUMENT POLICY

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.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC and Hong Kong while the Shares are listed on the Stock Exchange. Hence, our establishment and operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the respective place of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules.

During the year ended 31 December 2016 and up to the date of this annual report, the Group has been involved in certain legal proceedings as set in the note 44 to the consolidated financial statements. Save as disclosed in other part of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

DIRECTORS

The Directors during the year ended 31 December 2016 and up to the date of this report were:

Executive Directors:

Mr. Huang Weidong *(Chairman)*
Mr. Leung Chi Fai
Mr. Li Chongyang
Ms. Qi Jiao

Independent non-executive Directors:

Mr. Cong Yongjian
Ms. Deng Chunmei (resigned on 30 June 2016)
Mr. Lam Kai Yeung
Mr. Liu Chenli

Ms. Deng Chunmei resigned as an independent non-executive director and a member of each of Nomination Committee, Audit Committee and Remuneration Committee of the Company with effect from 30 June 2016 and has confirmed that she had no disagreement with the Board and was not aware of any matter that needs to be brought to the attention of the holders of securities of the Company in respect of her resignation.

The Company has received written confirmation of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

In accordance with bye-law 108 of the Company's bye-laws, Mr. Li Chongyang, Ms. Qi Jiao and Mr. Cong Yongjian will retire as Directors and being eligible offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 12 to 13 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Huang Weidong, Mr. Leung Chi Fai, Mr. Li Chongyang and Ms. Qi Jiao had entered into service contract with the Company for an initial term of three years commencing from 10 June 2015, 1 August 1999 (supplemented in January 2016), 23 October 2015 and 23 October 2015, respectively, which continues thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of Mr. Cong Yongjian, Mr. Lam Kai Yeung and Mr. Liu Chenli had entered into letter of appointment with the Company on 14 August 2015, 23 October 2015 and 23 October 2015, respectively, and was not appointed for a specific length or proposed length of service. Each of his appointment will be subjected to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the memorandum of association and the bye-laws of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

None of the Directors or their respective associates has any business or interest that competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as the related party transactions set out in note 40 to the consolidated financial statements, no Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests of the Directors and chief executive of the Company in the shares, underlying shares or debentures 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Mr. Huang Weidong	Beneficial owner	43,600,000	0.97%
Mr. Leung Chi Fai	Beneficial owner	14,240,000	0.32%
Mr. Li Chongyang	Beneficial owner	56,100,000	1.25%
Ms. Qi Jiao	Beneficial owner	43,600,000	0.97%
Mr. Cong Yongjian	Beneficial owner	10,750,000	0.24%
Mr. Lam Kai Yeung	Beneficial owner	10,000,000	0.22%
Mr. Liu Chenli	Beneficial owner	29,000,000	0.65%

Save as disclosed above, none of the Directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 37 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, chief executive 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 and chief executive to acquire such rights in any other body corporate.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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

At 31 December 2016, 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:

Long positions in ordinary shares of the Company:

Name	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Business Century Investments Limited *(Note 1)*	Beneficial owner	1,060,548,332	23.65%
Everun Oil Co., Limited *(Note 2)*	Beneficial owner	973,420,000	21.71%
Sunteen Capital Holdings Limited	Beneficial owner	352,793,549	7.87%

Notes:

1. Business Century Investments Limited is wholly-owned by Ms. Xie Guilin.

2. Everun Oil Co., Limited is wholly-owned by Mr. Chen Jingan.

Save as disclosed above, as at 31 December 2016, 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.

CONNECTED TRANSACTIONS

Save as disclosed in note 40 to the consolidated financial statements, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 26 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Further discussion on the Group's environmental policy and our relationship with various stakeholders are covered by a separate Environmental, Social and Governance Report which will be available at the Group's website and the website of the Stock Exchange not later than 3 months after the publication of this annual report.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float during the year and up to the date of this report as required under the Listing Rules.

PERMITTED INDEMNITY PROVISION

The Company had arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

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 report comprised all three Independent Non-executive Directors, namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Mr. Liu Chenli.

The Group's financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

On 25 July 2014, Zenith CPA Limited resigned as auditor of the Company and Moore Stephens Certified Public Accountants is appointed as auditors of the Company on 19 August 2014. On 1 January 2015, Moore Stephens Certified Public Accountants practised in the name of another certified public accountant, Moore Stephens CPA Limited. On 16 December 2016, Moore Stephens CPA Limited resigned as auditor of the Company and ZHONGHUI ANDA CPA Limited is appointed as auditor to fill the casual vacancy. A resolution for re-appointment of ZHONGHUI ANDA CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Huang Weidong
Chairman

Hong Kong
31 March 2017

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures. The Company endeavors to ensure that its businesses are conducted in accordance with the rules and regulations and applicable codes and standards.

The Board of Directors (the "Board") reviews and improves the corporate governance practices from time to time to ensure that the interests of its shareholders are properly protected and promoted.

During the year under review, the Company has complied with all the applicable code provisions (the "Code Provisions") of the Corporate Governance Code (the "Code") and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviations as disclosed in this report.

BOARD OF DIRECTORS

(1) Responsibilities

The Board is responsible for the management and strategic directions of the Company. The Board is also accountable to shareholders for the performance and activities of the Company. The day-to-day management, operation and administration of the Company are delegated to the management, while certain key matters such as making recommendation of final dividend or other distributions are reserved for the approval by the Board. Other major corporate matters that are delegated by the Board to management include execution of business strategies, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Directors are responsible for the preparation of consolidated financial statements which give a true and fair view of the Company for each financial period. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and accounting standards issued by the Hong Kong Institute of Certified Public Accountants have been complied with. Appropriate accounting policies have been selected and applied consistently. The accounts are prepared on a going concern basis with supporting assumptions or qualifications as necessary. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company had arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

BOARD OF DIRECTORS *(Continued)*

(1) Responsibilities *(Continued)*

Details of Directors' attendance at the Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meetings held for the year ended 31 December 2016 are set out in the table below:

Directors	No. of meetings attended/entitled to attend Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Huang Weidong	18/19	N/A	1/1	1/1	0/3
Mr. Leung Chi Fai	19/19	N/A	1/1	1/1	3/3
Mr. Li Chongyang	19/19	N/A	N/A	N/A	3/3
Ms. Qi Jiao	17/19	N/A	N/A	N/A	0/3
Independent non-executive Directors					
Mr. Cong Yongjian	13/19	2/2	1/1	1/1	0/3
Ms. Deng Chunmei	6/12	1/1	1/1	1/1	0/3
Mr. Lam Kai Yeung	14/19	2/2	1/1	1/1	0/3
Mr. Liu Chenli	14/19	2/2	1/1	1/1	0/3

(2) Board Composition

The Board currently comprises four executive Directors and three independent non-executive Directors. The Board members during the year ended 31 December 2016 were:

Executive Directors
Mr. Huang Weidong *(Chairman)*
Mr. Leung Chi Fai
Mr. Li Chongyang
Ms. Qi Jiao

Independent non-executive Directors:
Mr. Cong Yongjian
Ms. Deng Chunmei (resigned on 30 June 2016)
Mr. Lam Kai Yeung
Mr. Liu Chenli

The biographies of the Directors are set out on page 12 to 13 of this annual report.

During the year ended 31 December 2016, the Company has received a written confirmation of independence from the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in accordance with the Listing Rules. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition *(Continued)*

Under the Code Provision A.4.1, 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 terms. According to the Company's Bye- Law 108(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 the Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. Mr. Huang Weidong, the chairman of the Board was unable to attend the annual general meeting held on 2 June 2016. Mr. Leung Chi Fai and Mr. Li Chongyang, the executive Director of the Company, attended the said annual general meeting to respond to queries from shareholders.

Under the Code Provision A.6.7, 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.

(3) Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also provides relevant reading materials to Directors to help ensure they are apprised of the roles, functions and duties of being a director of a listed company and the development of their knowledge on the regulatory updates whenever necessary or appropriate.

During the year under review, the Company has provided training materials to all Directors, namely Mr. Huang Weidong, Mr. Leung Chi Fai, Mr. Li Chongyang, Ms. Qi Jiao, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Mr. Liu Chenli, to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has received the records of training from all Directors.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Leung Chi Fai, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung is also an Executive Director of the Company and is responsible for overseeing the Group's finance, accounting and corporate secretarial functions. During the year, Mr. Leung has taken not less than 15 hours of relevant professional training.

AUDIT COMMITTEE

The Audit Committee is comprised of three independent non-executive Directors, namely Mr. Cong Yongjian, Mr. Lam Kai Yeung (chairman of the Audit Committee) and Mr. Liu Chenli. They together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The Committee is responsible for reviewing the Company's financial information, financial and accounting policies and practices adopted by the Group, compliance of listing rules and statutory requirements, risk management, internal control and financial reporting matters of the Group. The Committee also monitors the appointment, remuneration and function of the Group's external auditor.

The Audit Committee had reviewed the annual report for the year ended 31 December 2016 and the interim report for the six months ended 30 June 2016 which was opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company's progress in implementing the Codes as required under the Listing Rules.

AUDITOR'S REMUNERATION

The statement of the Group's external auditor, ZHONGHUI ANDA CPA Limited (2015: Moore Stephens CPA Limited), about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 27 to 30.

During the year, the total fee paid/payable in respect of audit services provided by the external auditor is set out below:

	2016 **HK$'000**	2015 HK$'000
Audit services	**1,080**	1,100

REMUNERATION COMMITTEE

The Remuneration Committee comprises the two executive Directors, namely, Mr. Huang Weidong and Mr. Leung Chi Fai and three independent non-executive Directors, namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung (chairman of the Remuneration Committee) and Mr. Liu Chenli, is responsible for determining, reviewing and evaluating the remuneration packages of the executive Directors and making recommendations to the Board from time to time.

During the year under review, the Remuneration Committee reviewed the existing remuneration policies and the remuneration package of the Directors of the Company.

Details of remuneration paid to each of the Directors during the year are set out in note 12 to the consolidated financial statements. Under the Code Provision B.1.5, the remuneration paid/payable to each of the 4 individuals of the senior management during the year was within the remuneration band from Nil to HK$1,000,000.

NOMINATION COMMITTEE

The Nomination Committee, comprises the two executive Directors, Mr. Huang Weidong (chairman of the Nomination Committee) and Mr. Leung Chi Fai, and the three independent non-executive Directors namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Mr. Liu Chenli. 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.

During the year under review, the Nomination Committee had reviewed the structure, size and composition of the Board and made recommendations to the Board on appointment, retirement and re-appointment arrangement of the Directors.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that an effective and appropriate risk management and internal control systems are maintained within the Group.

The Company has adopted a set of internal control procedures and policies to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure that the financial and operational functions, compliance control, material control, asset management and risk management functions are in place and functioning effectively.

The Board has conducted annual review of the effectiveness of the risk management and internal control system of the Group and considered these are effective and adequate.

The Group does not have an internal audit function and has engaged external professional consultant to conduct review of internal control system of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the Code. The corporate governance duties performed by the Board for the year ended 31 December 2016 were summarized below:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and directors; and

(e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

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. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the year.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company, to enable the shareholders and the potential investors to make an informed decision on their investments in the shares and other securities of the Company, and to actively participate in the activities organised by the Company for them. The Company communicates with the shareholders and the potential investors through various channels, including annual and interim reports, annual general meetings and special general meetings, announcements and circulars.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

Information published by the Company pursuant to the Listing Rules will be made available on each of the websites of the Stock Exchange and the Company at www.irasia.com/listco/hk/sunway to enable the shareholders and the potential investors to have better understanding of the Company and its latest development. All key information such as announcements, annual and interim reports can be downloaded from either of these websites.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene special general meeting ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company proceed to convene a SGM; and such SGM shall be held within three months after the deposit of such requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists may themselves convene a SGM.

(2) Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

(3) Procedures for shareholders to propose a person for election as a director

As regards the procedures for proposing a person for election as a director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.irasia.com/listco/hk/sunway.

(4) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders and the investment community may make enquiries in the attention of the Company Secretary by post to the head office of the Company in Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended bye-laws of the Company by a special resolution passed on 2 June 2016. There are no other charges in the Company's constitutional documents during the year.

Independent Auditor's Report

中汇 ZHONGHUI

TO THE SHAREHOLDERS OF SUNWAY INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Sunway International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 110, 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 our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 financial performance 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND GOODWILL

Refer to notes 17, 19 and 20 to the consolidated financial statements

The Group tested the amounts of property, plant and equipment, prepaid land lease payments and goodwill for impairment. This impairment test is significant to our audit because the balances of property, plant and equipment, prepaid land lease payments and goodwill of HK$106,957,000, HK$23,533,000 and HK$20,982,000 as at 31 December 2016 respectively are material to the consolidated financial statements. In addition, the Group’s impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Comparing the actual cash flows with the cash flow projections;

– Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

– Checking input data to supporting evidence;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;

– Checking arithmetical accuracy of the valuation model; and

– Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group’s impairment test for property, plant and equipment, prepaid land lease payments and goodwill is supported by the available evidence.

TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Refer to notes 24 and 25 to the consolidated financial statements

The Group tested the amounts of trade and bill receivables and prepayments, deposits and other receivables for impairment. This impairment test is significant to our audit because the balances of trade and bill receivables and prepayments, deposits and other receivables of HK$212,396,000 and HK$89,787,000 as at 31 December 2016 respectively are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;

– Assessing the Group's relationship and transaction history with the customers and debtors;

– Evaluating the Group's impairment assessment;

– Assessing ageing of the debts;

– Assessing creditworthiness of the customers and debtors;

– Checking subsequent settlements from the customers and debtors;

– Assessing the value of the collateral for the debts; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and bill receivables and prepayments, deposits and other receivables is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 31 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Continuing operations			
Revenue	7	**245,627**	343,526
Cost of sales		**(188,429)**	(277,461)
Gross profit		**57,198**	66,065
Other income	8	**3,150**	845
Other gains and losses, net	9	**(98,033)**	(59,243)
Selling and distribution expenses		**(22,451)**	(26,598)
Administrative expenses		**(90,285)**	(37,125)
Other expenses		**(25,776)**	(8,268)
Finance costs	10	**(2,874)**	(9,737)
Loss before tax	11	**(179,071)**	(74,061)
Income tax expense	13	**(1,541)**	(9,325)
Loss for the year from continuing operations		**(180,612)**	(83,386)
Discontinued operations			
Profit for the year from discontinued operations	14	**–**	484,073
(Loss)/profit for the year		**(180,612)**	400,687
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(183,049)**	(93,519)
– Discontinued operations		**–**	484,073
		(183,049)	390,554
Non-controlling interests			
– Continuing operations		**2,437**	10,133
		(180,612)	400,687
			(Restated)
(Loss)/earnings per share			
Basic and diluted	16	**HK(5 cents)**	HK17 cents
Loss per share from continuing operations			
Basic and diluted	16	**HK(5 cents)**	HK(4 cents)
Earnings per share from discontinued operations			
Basic and diluted	16	**N/A**	HK21 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (Restated)
(Loss)/profit for the year	**(180,612)**	400,687
Other comprehensive (loss)/income:		
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	**(4,573)**	(5,796)
Reclassification adjustment for exchange fluctuation reserve upon disposal of subsidiaries	**–**	(249,713)
	(4,573)	(258,176)
Items that will not be reclassified to profit or loss:		
Revaluation of items of property, plant and equipment	**8,380**	7,318
Tax effect of revaluation of items of property, plant and equipment	**(2,095)**	(993)
Other comprehensive income/(loss) for the year, net of tax	**1,712**	(251,851)
Total comprehensive (loss)/income for the year	**(178,900)**	148,836
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(180,569)**	140,750
Non-controlling interests	**1,669**	8,086
	(178,900)	148,836

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	**31 December 2016 HK$'000**	31 December 2015 HK$'000 (Restated)	1 January 2015 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	17	**106,957**	131,297	167,555
Intangible assets	18	**11,786**	33	80
Prepaid land lease payments	19	**23,064**	31,897	34,217
Goodwill	20	**20,982**	84,421	84,421
Available-for-sale financial assets		**–**	–	1,037
Derivative instruments	21	**–**	13,695	43,452
Deposit paid for acquisition of a subsidiary		**–**	1,000	–
Deposit paid for acquisition of non-current assets		**–**	–	10,719
Deferred tax assets	32	**8,402**	6,148	4,220
		171,191	268,491	345,701
Current assets				
Financial assets at fair value through profit or loss	22	**–**	571	–
Inventories	23	**13,634**	10,991	22,235
Trade and bill receivables	24	**212,396**	124,930	171,596
Prepayments, deposits and other receivables	25	**89,787**	124,511	142,973
Restricted bank deposits	26	**61**	367	–
Pledged bank deposits	26	**–**	1,313	7,485
Cash and cash equivalents	26	**46,107**	22,802	20,529
		361,985	285,485	364,818
Assets classified as held-for-sale	27	**17,451**	–	958,525
		379,436	285,485	1,323,343
Current liabilities				
Trade and bill payables	28	**39,046**	44,065	104,831
Other payables, accruals and deposits received	29	**55,080**	38,777	28,876
Amount due to a non-controlling shareholder	30	**11,655**	1,258	80,399
Interest-bearing borrowings	31	**12,566**	27,164	112,216
Tax payable		**5,380**	6,808	9,316
		123,727	118,072	335,638
Liabilities classified as held-for-sale		**–**	–	892,135
		123,727	118,072	1,227,773
Net current assets		**255,709**	167,413	95,570
Total assets less current liabilities		**426,900**	435,904	441,271

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	**31 December 2016 HK$'000**	31 December 2015 HK$'000 (Restated)	1 January 2015 HK$'000 (Restated)
Non-current liabilities				
Deferred tax liabilities	32	**7,209**	6,621	6,216
Provision for long service payment	33	**33**	26	210
Interest-bearing borrowings	31	**15,080**	18,507	29,003
Other payable		**–**	–	129,089
Promissory note		**–**	–	78,559
		22,322	25,154	243,077
NET ASSETS		**404,578**	410,750	198,194
Capital and reserves				
Share capital	34	**44,842**	174,576	143,430
Convertible notes	35	**12,600**	54,597	75,595
Reserves	36	**284,915**	121,025	(74,317)
Equity attributable to owners of the Company		**342,357**	350,198	144,708
Non-controlling interests		**62,221**	60,552	53,486
TOTAL EQUITY		**404,578**	410,750	198,194

Approved by:

Li Chongyang
Director

Leung Chi Fai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium account HK$'000	Convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016, as previously stated	174,576	247,287	54,597	–	509	–	4,105	(2,742)	5,751	–	(236,735)	247,348	60,552	307,900
Effect of prior year adjustments	–	–	–	–	–	–	–	–	–	–	102,850	102,850	–	102,850
At 1 January 2016, as restated	174,576	247,287	54,597	–	509	–	4,105	(2,742)	5,751	–	(133,885)	350,198	60,552	410,750
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	–	(183,049)	(183,049)	2,437	(180,612)
Other comprehensive (loss)/income:														
Surplus on revaluation of items of property, plant and equipment, net of tax	–	–	–	–	–	–	3,525	–	–	–	–	3,525	2,760	6,285
Exchange difference on translation of foreign operations	–	–	–	–	–	–	–	(1,045)	–	–	–	(1,045)	(3,528)	(4,573)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	3,525	(1,045)	–	–	(183,049)	(180,569)	1,669	(178,900)
Capital reduction	(157,118)	–	–	157,118	–	–	–	–	–	–	–	–	–	–
Issue of shares by way of open offer	26,186	183,305	–	–	–	–	–	–	–	–	–	209,491	–	209,491
Recognition of equity-settled share-based payments	–	–	–	–	–	38,960	–	–	–	–	–	38,960	–	38,960
Exercise of share options	1,198	29,421	–	–	–	(10,472)	–	–	–	–	–	20,147	–	20,147
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	1,436	–	(1,436)	–	–	–
Redemption of convertible notes	–	–	(41,997)	–	–	–	–	–	–	–	(47,158)	(89,155)	–	(89,155)
Transaction cost attributable to issue of offer shares	–	(6,715)	–	–	–	–	–	–	–	–	–	(6,715)	–	(6,715)
At 31 December 2016	44,842	453,298	12,600	157,118	509	28,488	7,630	(3,787)	7,187	–	(365,528)	342,357	62,221	404,578

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium account HK$'000	Convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015, as previously stated	143,430	191,419	75,595	56,471	509	5,711	181,198	249,713	15,635	2,667	(787,941)	134,407	53,486	187,893
Effect of prior year adjustments	–	–	–	–	–	–	–	–	–	–	10,301	10,301	–	10,301
At 1 January 2015, as restated	143,430	191,419	75,595	56,471	509	5,711	181,198	249,713	15,635	2,667	(777,640)	144,708	53,486	198,194
Profit for the year	–	–	–	–	–	–	–	–	–	–	390,554	390,554	10,133	400,687
Other comprehensive (loss)/income:														
Surplus on revaluation of items of property, plant and equipment, net of tax	–	–	–	–	–	–	5,318	–	–	–	–	5,318	1,007	6,325
Available-for-sale financial assets:														
Change in fair value	–	–	–	–	–	–	–	–	–	18	–	18	–	18
Reclassification adjustment for gain on disposal of included in the consolidated statement of profit or loss	–	–	–	–	–	–	–	–	–	(2,685)	–	(2,685)	–	(2,685)
Exchange difference on translation of foreign operations	–	–	–	–	–	–	–	(2,742)	–	–	–	(2,742)	(3,054)	(5,796)
Reclassification adjustment for exchange fluctuation reserve upon disposal of subsidiaries	–	–	–	–	–	–	–	(249,713)	–	–	–	(249,713)	–	(249,713)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	5,318	(252,455)	–	(2,667)	390,554	140,750	8,086	148,836
Issue of shares pursuant to placing agreement	29,096	68,376	–	–	–	–	–	–	–	–	–	97,472	–	97,472
Transaction cost attributable to issue of placing shares	–	(2,646)	–	–	–	–	–	–	–	–	–	(2,646)	–	(2,646)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	3,044	–	(2,024)	1,020	(1,020)	–
Redemption of convertible notes	–	(14,002)	(20,998)	–	–	–	–	–	–	–	–	(35,000)	–	(35,000)
Exercise of share options	2,050	4,140	–	–	–	(2,296)	–	–	–	–	–	3,894	–	3,894
Share options lapsed	–	–	–	–	–	(3,415)	–	–	–	–	3,415	–	–	–
Release upon disposal of subsidiaries	–	–	–	(56,471)	–	–	(182,411)	–	(12,928)	–	251,810	–	–	–
At 31 December 2015, as restated	174,576	247,287	54,597	–	509	–	4,105	(2,742)	5,751	–	(133,885)	350,198	60,552	410,750

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Cash flows from operating activities			
Loss before tax			
Continuing operations		**(179,071)**	(74,061)
Discontinued operations		**–**	(17,432)
		(179,071)	(91,493)
Adjustments for:			
Amortisation of intangible assets		**32**	45
Amortisation of prepaid land lease payments		**808**	1,032
Bank interest income		**(60)**	(14)
Depreciation		**19,589**	30,078
Dividend income		**–**	(22)
Equity-settled share-based payments		**38,960**	–
Gain on extinguishment of promissory note		**–**	(2,490)
Loss on extinguishment of other payable		**–**	19,575
Loss on disposal of property, plant and equipment		**1,581**	–
Net gain arising on disposal of available-for-sale financial assets		**–**	(2,685)
Net loss arising on financial assets at fair value through profit or loss		**49**	877
Fair value gain of derivative instruments		**(96,848)**	(92,140)
Finance costs		**2,874**	11,576
Provision for impairment loss of goodwill		**64,480**	–
Provision for impairment loss of property, plant and equipment		**–**	7,080
Provision for impairment loss of trade receivables, net		**3,307**	8,291
Provision for impairment loss of prepayments, deposits and other receivables, net		**7,007**	67,111
Provision for impairment loss of profit guarantee compensation receivables		**110,543**	43,043
Provision for compensation and cost for legal cases		**23,273**	3,909
Write-off of property, plant and equipment		**–**	124
Write-off of trade receivables		**–**	1,649
Reversal of write down of inventories to net realisable value		**–**	(3,795)
Provision/(reversal of provision) for long service payment		**7**	(151)
Operating cash flows before working capital changes		**(3,469)**	(1,600)
Change in inventories		**(2,643)**	28,269
Change in trade and bill receivables		**(90,736)**	19,548
Change in prepayments, deposits and other receivables		**(61,354)**	(35,597)
Change in restricted bank deposits		**306**	(367)
Change in trade and bill payables		**(5,111)**	(35,631)
Change in other payables, accruals and deposits received		**(7,055)**	(6,920)
Cash used in operations		**(170,062)**	(29,098)
Bank interest received		**60**	14
Interest paid		**(2,874)**	(9,309)
Income tax paid		**(7,164)**	(13,311)
Net cash used in operating activities		**(180,040)**	(51,704)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(5,929)**	(3,922)
Deposit paid for acquisition of a subsidiary		**–**	(1,000)
Net cash outflow arising on acquisition of subsidiaries	38	**(11,959)**	–
Acquisition of financial assets at fair value through profit or loss		**–**	(15,710)
Dividend income		**–**	22
Repayment of promissory note		**–**	(77,000)
Repayment of other payable		**–**	(150,000)
Proceeds from disposal of available-for-sale financial assets		**–**	1,055
Proceeds from disposal of property, plant and equipment		**234**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**522**	14,262
Net cash flow arising on disposal of subsidiaries	14	**–**	271,017
Redemption of convertible notes		**–**	(35,000)
Change in pledged bank deposits		**1,313**	7,762
Change in bank deposits with original maturity over 3 months		**–**	12,610
Net cash (used in)/generated from investing activities		**(15,819)**	24,096
Cash flows from financing activities			
Proceeds from new borrowings		**10,813**	104,234
Repayment of borrowings		**(26,595)**	(129,667)
Proceeds from open offer		**202,776**	–
Proceeds from exercise of share options		**20,147**	3,894
Proceeds from placing the shares		**–**	94,826
Change in amount due to a non-controlling shareholder		**10,397**	(74,816)
Change in amount due to a director		**–**	(44)
Net cash generated from/(used in) financing activities		**217,538**	(1,573)
Net increase/(decrease) in cash and cash equivalents		**21,679**	(29,181)
Effect of foreign exchange rate changes		**1,626**	(4,918)
Cash and cash equivalents at beginning of year		**22,802**	56,901
Cash and cash equivalents at end of year		**46,107**	22,802
Analysis of cash and cash equivalents			
Bank and cash balances		**46,107**	22,802
		46,107	22,802

1. GENERAL INFORMATION

Sunway International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the address of 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 principal activities of its subsidiaries are set out in note 43.

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 ("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 each of 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 to the Group.

The convertible notes with a principal amount of HK$100 million as disclosed in note 35 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 a 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 addressed. Up to date of this report, 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 of 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 in prior years in accordance with the SPA. Therefore, the Company has made a retrospective restatement to recognise the receivables of Compensation of HK$10,301,000 and HK$132,198,000 as at 1 January 2015 and 31 December 2015 respectively, 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 31 December 2015. The convertible notes have been treated as redeemed by the Company at fair value of HK$89,155,000 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 HK$'000	Effect of prior year's adjustments HK$'000	As restated HK$'000
Continuing operations			
Revenue	343,526	–	343,526
Cost of sales	(277,461)	–	(277,461)
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	(9,737)	–	(9,737)
Loss before tax	(166,610)	92,549	(74,061)
Income tax expense	(9,325)	–	(9,325)
Loss for the year from continuing operations	(175,935)	92,549	(83,386)
Discontinued operations			
Profit for the year from discontinued operations	484,073	–	484,073
Profit for the year	308,138	92,549	400,687
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
Available-for-sale financial assets:			
– Change in fair value, net of tax	18	–	18
– Reclassification adjustment for loss on disposal included in consolidated statement of profit or loss	(2,685)	–	(2,685)
	(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	(249,713)	–	(249,713)
	(258,176)	–	(258,176)
Items that will not be reclassified to profit or loss:			
Revaluation of items of property, plant and equipment, net of tax	6,325	–	6,325
Other comprehensive loss for the year, net of tax	(251,851)	–	(251,851)
Total comprehensive income for the year	56,287	92,549	148,836

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 HK$'000	Effect of prior year's adjustments HK$'000	As restated HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company:			
– Continuing operations	(186,068)	92,549	(93,519)
– Discontinued operations	484,073	–	484,073
	298,005	92,549	390,554
Non-controlling interests			
– Continuing operations	10,133	–	10,133
	308,138	92,549	400,687
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
	56,287	92,549	148,836

2. RETROSPECTIVE RESTATEMENT *(Continued)*

Consolidated statement of financial position as at 31 December 2015

	As previously reported HK$'000	Effect of prior year's adjustments HK$'000	As restated HK$'000
Non-current assets			
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
	254,796	13,695	268,491
Current assets			
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
	196,330	89,155	285,485
Current liabilities			
Trade and bill payables	44,065	–	44,065
Other payables, accruals and deposit 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
	118,072	–	118,072
Net current assets	78,258	89,155	167,413
Total assets less current liabilities	333,054	102,850	435,904

2. RETROSPECTIVE RESTATEMENT *(Continued)*

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

	As previously reported HK$'000	Effect of prior year's adjustments HK$'000	As restated HK$'000
Non-current liabilities			
Deferred tax liabilities	6,621	–	6,621
Provision for long service payment	26	–	26
Interest-bearing borrowings	18,507	–	18,507
	25,154	–	25,154
NET ASSETS	307,900	102,850	410,750
Capital and reserves			
Share capital	174,576	–	174,576
Convertible notes	54,597	–	54,597
Reserves	18,175	102,850	121,025
Equity attributable to owners of the Company	247,348	102,850	350,198
Non-controlling interests	60,552	–	60,552
TOTAL EQUITY	307,900	102,850	410,750

2. RETROSPECTIVE RESTATEMENT *(Continued)*

Consolidated statement of financial position as at 1 January 2015

	As previously reported HK$'000	Effect of prior year's adjustments HK$'000	As restated HK$'000
Non-current assets			
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
	345,701	–	345,701
Current assets			
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
	354,517	10,301	364,818
Assets classified as held-for-sale	958,525	–	958,525
	1,313,042	10,301	1,323,343
Current liabilities			
Trade and bill payables	104,831	–	104,831
Other payables, accruals and deposit 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
	335,638	–	335,638
Liabilities classified as held-for-sale	892,135	–	892,135
	1,227,773	–	1,227,773
Net current assets	85,269	10,301	95,570
Total assets less current liabilities	430,970	10,301	441,271

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
Non-current liabilities			
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
	243,077	–	243,077
NET ASSETS	187,893	10,301	198,194
Capital and reserves			
Share capital	143,430	–	143,430
Convertible notes	75,595	–	75,595
Reserves	(84,618)	10,301	(74,317)
Equity attributable to owners of the Company	134,407	10,301	144,708
Non-controlling interests	53,486	–	53,486
TOTAL EQUITY	187,893	10,301	198,194

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, are disclosed in note 4.

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.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings, plant, machinery and office equipment and motor vehicles are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of buildings and machinery are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the asset revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the asset revaluation reserve are charged against the asset revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building and machinery, the attributable revaluation increases remaining in the asset revaluation reserve is transferred directly to accumulated losses.

Leasehold land under finance lease commences amortisation from the time when the land interest becomes available for its intended use. Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land under finance lease	Over the lease terms
Buildings	2% to 5%
Plant, machinery and office equipment	10%
Motor vehicles	20%
Furniture and fixtures	10%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at FVTPL.

Financial assets at FVTPL are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative instruments

Derivatives are initially recognised and subsequently measured at fair value. Changes in the fair value of derivatives are recognised in profit or loss as they arise.

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers;

(b) Revenue from the securities brokerage services is recognised on the date of the securities transaction;

(c) Rental income is recognised on a straight-line basis over the lease term;

(d) Interest income is recognised on a time – proportion basis using the effective interest method; and

(e) Dividend income is recognised when the shareholders' rights to receive payment are established.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Employee long service payment

The provision for long service is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except derivative instruments, deferred tax assets and financial assets at FVTPL, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Non-current assets held for sale and discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This required an estimation of the recoverable amount (determined based on either fair value less costs of disposal or value in use) of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimated fair value less costs of disposal is assumed to have no significant difference on the price determined in an arm's length transaction. The carrying amount of goodwill at 31 December 2016 was HK$20,982,000 (2015: HK$84,421,000). Further details are set out in note 20.

(b) Useful lives and depreciation and amortisation of property, plant and equipment and prepaid land lease payments

The Group determines the estimated useful lives and related depreciation charges and amortisation of its property, plant and equipment and prepaid land lease payments. These estimated useful lives and/or residual values are based on the historical experience of the actual useful lives of property, plant and equipment and prepaid land lease payments of similar assets and taking into account anticipated technological changes. The Group will increase the depreciation charge and amortisation where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and thereafter depreciation charge and amortisation in the future period. Further details are disclosed in notes 17 and 19.

(c) Impairment of property, plant and equipment and prepaid land lease payments

Property, plant and equipment and prepaid land lease payments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of receivables

The Group makes impairment loss on trade receivables, prepayments, deposits and other receivables based on assessments of the recoverability of the trade receivables, prepayments, deposits and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgements and estimates.

(e) Current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

5. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

5. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2016 HK$'000
Recurring fair value measurements:				
Property, plant and equipment				
Buildings	–	–	50,030	50,030
Plant, machinery and office equipment	–	–	64,476	64,476
Motor vehicles	–	–	2,676	2,676
	–	–	117,182	117,182

	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2015 HK$'000
Recurring fair value measurements:				
Property, plant and equipment				
Buildings	–	–	56,225	56,225
Plant, machinery and office equipment	–	–	70,339	70,339
Motor vehicles	–	–	4,006	4,006
	–	–	130,570	130,570
Financial assets at FVTPL, listed equity securities	571	–	–	571
	571	–	130,570	131,141

5. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

The following table analyses the fair value measurement of buildings, plant, machinery and office equipment and motor vehicles using significant unobservable inputs (Level 3):

	Buildings HK$'000	**Plant, machinery and office equipment HK$'000**	**Motor vehicles HK$'000**	**Total HK$'000**
As at 1 January 2016	**56,225**	**70,339**	**4,006**	**130,570**
Additions	**580**	**4,472**	**873**	**5,925**
Acquisition of a subsidiary	**–**	**2**	**–**	**2**
Disposal	**–**	**–**	**(1,829)**	**(1,829)**
Classified as held-for-sale	**(10,879)**	**–**	**–**	**(10,879)**
Surplus on revaluation	**29**	**7,716**	**635**	**8,380**
Depreciation provided during the year	**(3,068)**	**(15,517)**	**(927)**	**(19,512)**
Exchange realignment	**(3,736)**	**(2,536)**	**(82)**	**(6,354)**
As at 31 December 2016	**39,151**	**64,476**	**2,676**	**106,303**

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2015	67,350	95,945	3,958	167,253
Additions	–	577	1,416	1,993
Written off	–	–	(124)	(124)
Provision of impairment loss	–	(6,782)	–	(6,782)
(Deficit)/surplus on revaluation	(4,463)	3,840	(171)	(794)
Depreciation provided during the year	(3,286)	(20,341)	(909)	(24,536)
Exchange realignment	(3,376)	(2,900)	(164)	(6,440)
As at 31 December 2015	56,225	70,339	4,006	130,570

The revaluation surplus or deficit of buildings, plant, machinery and office equipment and motor vehicles are recognised in "revaluation of items of property, plant and equipment, net of tax" in the consolidated statement of comprehensive income.

The Group has determined that the highest and best use of the buildings, plant, machinery and office equipment and motor vehicles at the measurement date is held for own use purpose, which does not differ from their actual use.

5. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2016:

The Group's finance director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The finance director reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the finance director and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The following table gives information about how the fair values of the Group's buildings, plant, machinery and office equipment and motor vehicles carried at fair value are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are unobservable.

As at 31 December 2016 and 2015

Property, plant and equipment	Location	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in the PRC	Zhuhai and Yangjiang	Depreciation replacement cost method	Average construction cost	RMB1,110 to RMB2,520 per square meter (2015: RMB1,050 to RMB2,500 per square meter)	The higher the average construction cost, the higher the fair value
			Replacement cost rates	18% to 66% (2015: 22% to 77%)	The higher the replacement cost rates, the higher the fair value
Plant, machinery and office equipment	Zhuhai and Yangjiang	Depreciation replacement cost method	Replacement cost rates	2% to 95% (2015: 2% to 94%)	The higher the replacement cost rates, the higher the fair value
Office equipment	Hong Kong	Depreciation replacement cost method	Replacement cost rates	47% to 90% (2015: 85% to 95%)	The higher the replacement cost rates, the higher the fair value
Motor vehicles	Zhuhai, Yangjiang and Hong Kong	Comparison method	Discount on age, condition,functional obsolescence	5% to 95% (2015: 5% to 90%)	The higher the discount, the lower the fair value

6. OPERATING SEGMENT INFORMATION

The Group has five reportable segments as follows:

Continuing operations

– Sales and manufacturing of pre-stressed steel bar (the "PC steel bar");

– Sales and manufacturing of high-strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products (the "PHC piles and others"); and

– Money lending and provision of assets management services and securities brokerage services (the "Financial services").

Discontinued operations

– Design, development, manufacturing and sales of electronic components and parts (the "Electronic components and parts");

– Design, development, manufacturing and sales 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 head office and corporate expenses, bank interest income, other gains and losses, net 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 goodwill, derivative instruments, deferred tax assets, financial assets at FVTPL, restricted bank deposits, pledged bank deposits, cash and cash equivalents 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 interest-bearing borrowings, tax payable, deferred tax liabilities, promissory note, other payable 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.

6. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results, segment assets and liabilities

	Continuing operations			
	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Total HK$'000
For the year ended 31 December 2016				
Segment revenue				
Revenue from external customers	–	242,146	3,481	245,627
Segment results	(27,453)	13,506	(4,197)	(18,144)
Reconciliation:				
Bank interest income				60
Other gains and losses, net				(78,175)
Finance costs				(2,874)
Unallocated head office and corporate expenses				(79,938)
Loss before tax				(179,071)
Income tax expense				(1,541)
Loss for the year				(180,612)
As at 31 December 2016				
Segment assets	26,517	307,219	137,262	470,998
Unallocated assets				79,629
				550,627
Segment liabilities	(45,087)	(56,748)	(204)	(102,039)
Unallocated liabilities				(44,010)
				(146,049)

6. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results, segment assets and liabilities *(Continued)*

	Continuing operations			Discontinued operations			
	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	Total HK$'000 (Restated)
For the year ended 31 December 2015							
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 customers	13,651	329,875	343,526	27,736	28,551	56,287	399,813
Segment results	(115,917)	41,009	(74,908)	(9,975)	(8,183)	(18,158)	(93,066)
Reconciliation:							
Bank interest income			13			1	14
Other gains and losses, net			34,719			2,570	37,289
Gain on disposal of subsidiaries			–			502,261	502,261
Finance costs			(9,737)			(1,840)	(11,577)
Unallocated head office and corporate expenses			(24,148)			(5)	(24,153)
(Loss)/profit before tax			(74,061)			484,829	410,768
Income tax expense			(9,325)			(756)	(10,081)
(Loss)/profit for the year			(83,386)			484,073	400,687
As at 31 December 2015							
Segment assets	19,325	311,294	330,619	–	–	–	330,619
Unallocated assets							223,357
							553,976
Segment liabilities	(27,603)	(55,055)	(82,658)	–	–	–	(82,658)
Unallocated liabilities							(60,568)
							(143,226)

6. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Other segment information

	Continuing operations				
	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Corporate/ unallocated HK$'000	Total HK$'000
For the year ended 31 December 2016					
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 asset	–	(32)	–	–	(32)
Provision for impairment loss of trade receivables, net	(84)	(3,223)	–	–	(3,307)
Provision for impairment loss of prepayments deposits and other receivables, net	(18)	(6,989)	–	–	(7,007)

	Continuing operations				Discontinued operations			
	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$'000	Total HK$'000
For the year ended 31 December 2015								
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 loss 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 assets	–	(45)	–	(45)	–	–	–	(45)
Write down of inventories to net realisable value	(2,476)	(723)	–	(3,199)	(596)	–	(596)	(3,795)
Provision for impairment loss of trade receivables	(7,988)	(7,512)	–	(15,500)	(589)	(447)	(1,036)	(16,536)
Reversal of impairment loss 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 loss of other receivables	(67,614)	(556)	–	(68,170)	–	–	–	(68,170)
Reversal of impairment loss of other receivables	296	763	–	1,059	–	–	–	1,059

6. OPERATING SEGMENT INFORMATION *(Continued)*

(c) 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:

	Non-current assets		Revenue Year ended 31 December			
	As at 31 December		Continuing operations		Discontinued operations	
	2016	2015	**2016**	2015	**2016**	2015
Hong Kong	**15,627**	16,839	**3,481**	–	**–**	670
The PRC (Note)	**155,564**	251,652	**242,146**	343,526	**–**	43,123
Other Asian countries	**–**	–	**–**	–	**–**	1,973
American countries	**–**	–	**–**	–	**–**	9,519
European countries	**–**	–	**–**	–	**–**	310
African countries	**–**	–	**–**	–	**–**	692
	171,191	268,491	**245,627**	343,526	**–**	56,287

Note: excluding Hong Kong for the purpose of this report.

(d) Information about a major customer

For the year ended 31 December 2016, the Group had no transactions with customer which contributed over 10% of its 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.

7. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for return and trade discounts, and interest on loans to customers.

	2016 HK$'000	2015 HK$'000
Sales of goods	**242,146**	343,526
Loan interest income	**3,481**	–
	245,627	343,526

8. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Bank interest income	**60**	13
Government grants	**–**	450
Dividend income	**–**	22
Rental income	**3,045**	–
Sundry income	**45**	360
	3,150	845

9. OTHER GAINS AND LOSSES, NET

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

10. FINANCE COSTS

	2016 **HK$'000**	2015 HK$'000
Interest on interest-bearing borrowings	**2,874**	7,470
Imputed interest on other payables	**–**	1,336
Imputed interest on promissory note	**–**	931
	2,874	9,737

11. LOSS BEFORE TAX

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

	2016 **HK$'000**	2015 HK$'000 (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 substantial shareholders	**5,270**	–
Equity-settled share-based payments to consultants	**7,924**	–
Minimum lease payments under operating lease in respect of land and buildings	**7,217**	1,645
Provision of compensation and cost for legal cases	**23,273**	3,909
Staff costs (including directors' remuneration):		
– 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
– salaries, bonuses and allowances	**30,497**	30,802
	57,783	34,544

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year, equivalent to key management compensation, is as follows:

	2016 HK$'000	2015 HK$'000
Fees	840	934
Other emoluments:		
Salaries, allowances and benefits in kind	4,758	4,649
Pension scheme contributions	72	79
Equity-settled share-based payments	22,936	–
	27,766	4,728
	28,606	5,662

Analysis of directors' remuneration on named basis is as follows:

	2016				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total HK$'000
Executive directors					
Mr. Huang Weidong	–	1,452	18	3,962	5,432
Mr. Leung Chi Fai	–	1,560	18	3,962	5,540
Mr. Li Chongyang	–	1,122	18	3,962	5,102
Ms. Qi Jiao	–	624	18	3,962	4,604
	–	4,758	72	15,848	20,678
Independent non-executive directors					
Mr. Cong Yongjian	240	–	–	909	1,149
Ms. Deng Chumei (resigned on 30 June 2016)	120	–	–	2,635	2,755
Mr. Liu Chenli	240	–	–	2,635	2,875
Mr. Lam Kai Yeung	240	–	–	909	1,149
	840	–	–	7,088	7,928
	840	4,758	72	22,936	28,606

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	2015				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity- settled share-based payments HK$'000	Total HK$'000
Executive directors					
Mr. Huang Weidong (appointed on 10 June 2015)	–	657	11	–	668
Mr. Leung Chi Fai	40	779	16	–	835
Mr. Li Chongyang (appointed on 19 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	–	934	12	–	946
Ms. Qi Jiao (appointed on 20 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	–	384	11	–	395
Ms. Fang Jing (appointed on 14 August 2015 and ceased on 18 November 2015)	–	172	6	–	178
Ms. Wong King Ching, Helen (resigned on 10 June 2015)	–	691	9	–	700
Ms. Wong King Man (retired on 4 June 2015)	–	845	8	–	853
Mr. Wang Tian (retired on 4 June 2015)	45	125	2	–	172
Mr. Lin Yepan (resigned on 19 May 2015)	23	62	4	–	89
	108	4,649	79	–	4,836
Independent non-executive directors					
Mr. Cong Yongjian (appointed on 14 August 2015)	92	–	–	–	92
Ms. Deng Chunmei (appointed on 29 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	142	–	–	–	142
Mr. Liu Chenli (appointed on 29 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	142	–	–	–	142
Mr. Lam Kai Yeung (appointed on 20 May 2015, retired on 4 June 2015 and appointed on 23 October 2015)	148	–	–	–	148
Mr. So Day Wing (resigned on 10 June 2015)	106	–	–	–	106
Ms. Fong Yin Cheung (retired on 4 June 2015)	103	–	–	–	103
Mr. Hung Yat Ming (resigned on 20 May 2015)	93	–	–	–	93
	826	–	–	–	826
	934	4,649	79	–	5,662

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration in respect of the years ended 31 December 2016 and 2015.

Five highest paid individuals

The five highest paid employees in the Group during the year included four (2015: five) directors, details of whose remuneration are set out above. Details of remuneration of the remaining one (2015: nil) highest paid employee who is not a director of the Company are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	416	–
Pension scheme contributions	18	–
Equity-settled share-based payments	2,463	–
	2,897	–

The remuneration of the employee fell within the band of HK$2,500,001–HK$3,000,000.

No emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. INCOME TAX EXPENSE

No provision for Hong Kong profits tax had been made during the current 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 rate of 25% (2015: 25%).

	2016 HK$'000	2015 HK$'000
Current tax – PRC Enterprise Income Tax		
– Provision for the year	5,736	10,506
– Under-provision in prior years	–	422
	5,736	10,928
Deferred tax (note 32)	(4,195)	(1,603)
	1,541	9,325

13. INCOME TAX EXPENSE *(Continued)*

A reconciliation of income tax expense and loss before tax from continuing operations at applicable tax rates is as follows:

	2016 HK$'000	2015 HK$'000 (Restated)
Loss before tax	**(179,071)**	(74,061)
Notional tax on loss before tax, calculated at the applicable tax rates in respective jurisdictions	**(31,365)**	(19,868)
Tax effect of expenses not deductible for tax purpose	**43,274**	44,954
Tax effect of income not taxable for tax purpose	**(10,966)**	(16,205)
Under-provision in prior years	**–**	422
Others	**598**	22
	1,541	9,325

14. 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 referred to the "Disposal Group") for a consideration of HK$180,000,000. On 15 December 2014, the Group and the Purchaser have 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. The financial performance of the Disposal Group for the year ended 31 December 2015 was presented as discontinued operations.

Analysis of the results of discontinued operations and net cash flows of the Disposal Group are as follows:

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

14. DISCONTINUED OPERATIONS *(Continued)*

The following table is the analysis of assets and liabilities relating to the Disposal Group have been classified as discontinued operation as at the disposal date.

	2015 HK$'000
Assets	
Property, plant and equipment	367,907
Investment properties	90,277
Prepaid land lease payments	73,843
Deposits paid for acquisition of property, plant and equipment	731
Inventories	149,403
Trade receivables	159,309
Prepayments, deposits and other receivables	115,292
Pledged bank deposits	30,003
Time deposits	3,245
Cash and bank balances	28,983
Trade payables	(155,405)
Other payables, accruals and deposit received	(131,190)
Amount due to a director	(72,050)
Amount due to the group companies	(363,973)
Interest-bearing borrowings	(522,804)
Tax payables	(26,437)
Deferred tax liabilities	(63,231)
Provision for long service payment	(424)
Net liabilities disposed of	(316,521)
Gain on disposal of subsidiaries:	
Total consideration satisfied by cash	300,000
Net liabilities disposal of	316,521
Waiver of receivables from the Disposal Group	(363,973)
Release of exchange fluctuation reserve	249,713
	502,261
Net cash inflow arising on disposal	
Cash consideration	300,000
Less: Bank and cash balances disposal of	(28,983)
	271,017

15. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2016 and 2015.

16. (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.

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

Diluted (loss)/earnings per share

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 options are anti-dilutive for the years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2016						
Cost or valuation	61,186	110,404	5,503	765	298	178,156
Accumulated depreciation and impairment loss	(4,961)	(40,065)	(1,497)	(38)	(298)	(46,859)
Carrying amount	56,225	70,339	4,006	727	–	131,297
Opening net carrying amount	56,225	70,339	4,006	727	–	131,297
Additions	580	4,472	873	4	–	5,929
Acquisition of a subsidiary (note 38)	–	2	–	–	–	2
Disposal	–	–	(1,829)	–	–	(1,829)
Classified as held-for-sale	(10,879)	–	–	–	–	(10,879)
Surplus on revaluation	29	7,716	635	–	–	8,380
Depreciation provided during the year	(3,068)	(15,517)	(927)	(77)	–	(19,589)
Exchange realignment	(3,736)	(2,536)	(82)	–	–	(6,354)
As at 31 December 2016, net of accumulated depreciation and impairment loss	39,151	64,476	2,676	654	–	106,957
As at 31 December 2016						
Cost or valuation	43,965	104,993	4,153	769	298	154,178
Accumulated depreciation and impairment loss	(4,814)	(40,517)	(1,477)	(115)	(298)	(47,221)
Carrying amount	39,151	64,476	2,676	654	–	106,957

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2015						
Cost or valuation	69,025	108,887	4,546	–	302	182,760
Accumulated depreciation and impairment loss	(1,675)	(12,942)	(588)	–	–	(15,205)
Carrying amount	67,350	95,945	3,958	–	302	167,555
Opening net carrying amount	67,350	95,945	3,958	–	302	167,555
Additions	–	577	1,416	765	–	2,758
Written off	–	–	(124)	–	–	(124)
Provision for impairment loss	–	(6,782)	–	–	(298)	(7,080)
(Deficit)/surplus on revaluation	(4,463)	3,840	(171)	–	–	(794)
Depreciation provided during the year	(3,286)	(20,341)	(909)	(38)	–	(24,574)
Exchange realignment	(3,376)	(2,900)	(164)	–	(4)	(6,444)
As at 31 December 2015, net of accumulated depreciation and impairment loss	56,225	70,339	4,006	727	–	131,297
As at 31 December 2015						
Cost or valuation	61,186	110,404	5,503	765	298	178,156
Accumulated depreciation and impairment loss	(4,961)	(40,065)	(1,497)	(38)	(298)	(46,859)
Carrying amount	56,225	70,339	4,006	727	–	131,297

As at 31 December 2016 and 2015, the Group's buildings, plant, machinery and office equipment and motor vehicles were valued by an independent professionally qualified valuer, Peak Vision Appraisals Limited ("Peak Vision"), which has appropriate qualifications and recent experience in the valuation of similar assets.

As at 31 December 2016, certain buildings and plant and machinery of the Group with carrying amounts of HK$39,151,000 (2015: HK$56,225,000) and HK$8,535,000 (2015: HK$9,683,000), respectively, were pledged to secure banking facilities granted to the Group (note 31).

As at 31 December 2015, certain buildings and plant and machinery of the Group with carrying amounts of HK$12,036,000 and nil (after provision of impairment of HK$8,031,000), respectively, were frozen in relation to the litigation proceedings. These assets were classified as held-for-sale as at 31 December 2016. Further details are disclosed in note 27.

18. INTANGIBLE ASSETS

	Financial services license HK$'000	Computer software HK$'000	Total HK$'000
Cost:			
As at 1 January 2015	–	111	111
Exchange realignment	–	(6)	(6)
As at 31 December 2015	–	105	105
Arising on acquisition of subsidiaries (note 38)	11,786	–	11,786
Exchange realignment	–	(7)	(7)
As at 31 December 2016	11,786	98	11,884
Accumulated amortisation			
As at 1 January 2015	–	(31)	(31)
Amortisation during the year	–	(45)	(45)
Exchange realignment	–	4	4
As at 31 December 2015	–	(72)	(72)
Amortisation during the year	–	(32)	(32)
Exchange realignment	–	6	6
As at 31 December 2016	–	(98)	(98)
Net carrying amount			
As at 31 December 2016	**11,786**	**–**	**11,786**
As at 31 December 2015	–	33	33

The Group reviews the recoverable amount of the financial services license. The license is used in the Group's financial services segment. No impairment loss has been recognised in the current year. The recoverable amount of the relevant assets has been determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used is 15%.

19. PREPAID LAND LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Carrying amount at beginning of the year	**32,595**	34,954
Amortisation during the year	**(808)**	(861)
Classified as held-for-sale	**(6,572)**	–
Exchange realignment	**(1,682)**	(1,498)
Carrying amount at end of the year	**23,533**	32,595
Current portion included in prepayments, deposits and other receivables	**(469)**	(698)
	23,064	31,897

As at 31 December 2016, certain prepaid land lease payments of the Group with a carrying amount of HK$23,533,000 (2015: HK$25,553,000) were pledged to secure banking facilities granted to the Group (note 31).

As at 31 December 2015, certain prepaid land lease payments of the Group with a carrying amount of HK$7,097,000 were frozen in relation to the litigation proceedings. These assets were classified as held-for-sale as at 31 December 2016. Further details are disclosed in note 27.

20. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to two cash-generating units ("CGUs"), comprising a subsidiary in financial services and a subsidiary in PHC piles and others business. The carrying amount of goodwill as at 31 December 2016 and 2015 allocated to these units are as follows:

	Financial services HK$'000	PHC piles and others HK$'000	Total HK$'000
Cost			
As at 1 January 2015, 31 December 2015, and 1 January 2016	–	84,421	84,421
Arising on acquisition of subsidiary (note 38)	1,041	–	1,041
As at 31 December 2016	1,041	84,421	85,462
Impairment			
As at 1 January 2015, 31 December 2015, and 1 January 2016	–	–	–
Recognised for the year	–	(64,480)	(64,480)
As at 31 December 2016	–	(64,480)	(64,480)
Carrying amount			
As at 31 December 2016	**1,041**	**19,941**	**20,982**
As at 31 December 2015	–	84,421	84,421

20. GOODWILL *(Continued)*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Financial services

The recoverable amount of the CGU has been determined from value-in-use calculation. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next three years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax rate used to discount the forecast cash flows is 15%.

PHC piles and others

The recoverable amount of this CGU has been determined, including working capital, based on value-in-use calculation determined by income approach using discount cash flow projections with reference to valuation performed by an independent professional valuer, Peak Vision. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (2015: 3%). The pre-tax rate used to discount the forecast cash flows is 19.69% (2015: 15.08%).

The key basis and assumption used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the CGU and the discount rate used reflects specific risks relating to industries in relation to the CGU.

21. DERIVATIVE INSTRUMENTS

	2016 **HK$'000**	2015 HK$'000 (Restated)
Balance at beginning of the year	**13,695**	43,452
Profit guarantee compensation recognised for the year	**(110,543)**	(121,897)
Fair value gain of derivative instruments	**96,848**	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, using income approach.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed securities – held for trading		
– Equity securities – Hong Kong		
Market value of listed securities	**–**	571

Changes in fair values of financial assets at FVTPL are recorded in "other gains and other losses, net" in the consolidated statement of profit or loss. The equity securities were fully disposed during the year.

23. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**2,802**	2,588
Finished goods	**10,832**	8,403
	13,634	10,991

24. TRADE AND BILL RECEIVABLES

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

(a) Ageing analysis

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 one to three (2015: one to three) months from the date of billing, except for certain well-established customers, where the term is extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk.

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.

24. TRADE AND BILL RECEIVABLES *(Continued)*

(a) Ageing analysis *(Continued)*

The ageing analysis of trade receivables, based on the invoice date or the date of inception for loans and net of provision, is as follows:

	2016 HK$'000	2015 HK$'000
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	**15,883**	10,613
	210,849	124,930

(b) Impairment of trade receivables

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

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	**32,878**	27,322
Impairment loss recognised	**3,326**	15,500
Impairment loss reversed	**(20)**	(8,192)
Exchange realignment	**(2,267)**	(1,752)
Balance at end of the year	**33,917**	32,878

Included in the above provision for impairment loss was a full provision for individually impaired trade receivables of HK$3,326,000 (2015: HK$15,500,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers, their ongoing relationship with the Group and the ageing of those receivables. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Not yet past due	**153,207**	20,974
Within 3 months past due	**21,518**	45,420
4 to 6 months past due	**14,116**	22,911
7 to 12 months past due	**7,789**	25,022
Over 12 months past due	**14,219**	10,603
	210,849	124,930

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment loss 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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000 (Restated)
Prepayments (note (a))	**135,008**	86,997
Other receivables	**27,803**	20,349
Less: provision for impairment loss (note (b))	**(76,121)**	(74,212)
	86,690	33,134
Deposits paid	**3,097**	2,222
Profit guarantee compensation receivables (note (c))	**–**	89,155
	89,787	124,511

Prepayments, deposits and other receivables, net of allowance of doubtful debts, are expected to be recovered or recognised as expense within one year.

Notes:

(a) The Group paid in advance to certain suppliers for the PHC piles and others business.

(b) Provision for impairment loss is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly.

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

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	**74,212**	10,402
Impairment loss recognised	**11,261**	68,170
Impairment loss reversed	**(4,254)**	(1,059)
Exchange realignment	**(5,098)**	(3,301)
Balance at end of the year	**76,121**	74,212

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 possible commercial crime committed by two former directors of a subsidiary of the Group. The management assessed and considered the recoverability of these receivables is in doubt. As disclosed in note 44, the Group had filed a report to Zhuhai Public Security Bureau against the two former directors of a subsidiary of the Group and the investigation is still in progress up to the date of this report. 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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(c) The profit guarantee compensation receivables were secured by the Company's convertible notes with nominal value of HK$100,000,000 (note 35). The movement in profit guarantee compensation receivables is as follows:

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

26. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	2016 HK$'000	2015 HK$'000
Bank and cash balances	**46,107**	22,802

As at 31 December 2016, bank and cash balances of HK$3,113,000 (2015: HK$4,632,000) are denominated in Renminbi ("RMB"). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interests at floating rates based on daily bank deposits rates.

(b) Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group (note 31). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

(c) Restricted bank deposits

As at 31 December 2016, bank balance of HK$61,000 (2015: HK$367,000) is frozen in relation to the litigation proceedings as disclosed in note 44.

27. ASSETS CLASSIFIED AS HELD-FOR-SALE

As a result of a legal proceeding and pursuant to an execution order by the court in the PRC issued to Zhuhai Hoston (note 44), certain property, plant and equipment and prepaid land lease payments of Zhuhai Hoston are being auction. The proceeds from disposal of the assets in auction will be used to repay its creditors. Accordingly, those property, plant and equipment and prepaid land lease payments are classified as held-for-slae as at 31 December 2016.

	2016 **HK$'000**
Property, plant and equipment	**10,879**
Prepaid land lease payments	**6,572**
	17,451

28. TRADE AND BILL PAYABLES

	2016 **HK$'000**	2015 HK$'000
Trade payables	**39,046**	37,517
Bill payables	**–**	6,548
	39,046	44,065

The ageing analysis of trade payables (based on invoice date) at the reporting date is as follows:

	2016 **HK$'000**	2015 HK$'000
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
	39,046	37,517

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

29. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2016 HK$'000	2015 HK$'000
Other payables and accruals	**26,827**	25,680
Provision of compensation and cost for legal cases	**25,002**	3,337
Deposits received from customers	**3,251**	9,760
	55,080	38,777

30. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The balance is unsecured, interest-free and repayable on demand.

31. INTEREST-BEARING BORROWINGS

	2016		2015	
	Maturity	**HK$'000**	Maturity	HK$'000
Bank borrowings, secured	**2017–2018**	**27,646**	2016–2018	45,671

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

	2016 HK$'000	2015 HK$'000
Analysed into:		
On demand or within one year	**12,566**	27,164
Between one and two years	**15,080**	2,388
More than two years, but not exceeding three years	**–**	16,119
	27,646	45,671

As at 31 December 2016 and 2015, the Group's bank borrowings carried variable interest rates set by The People's Bank of China plus certain basis points and thus were subject to cash flow interest risk.

The range of interest rates per annum at the end of the reporting period on the interest-bearing borrowings of the Group was as follows:

	2016 %	2015 %
Variable-rate bank borrowings	**4.3–8.12**	4.79–8.4

The amounts due are based on the scheduled repayment dates set out in the borrowing agreements with no repayment on demand clause contained.

31. INTEREST-BEARING BORROWINGS *(Continued)*

The borrowings were secured by corporate guarantee executed by a related company of a subsidiary of the Group; personal guarantee executed by the directors of a subsidiary of the Group; guarantee executed by non-controlling shareholder of a subsidiary of the Group and pledged certain assets to secure the banking facilities and bank borrowings. The carrying amounts of these pledged assets at the end of the reporting period are as follows:

	Notes	**2016 HK$'000**	2015 HK$'000
Buildings	17	**39,151**	56,225
Plant and machinery	17	**8,535**	9,683
Prepaid land lease payments	19	**23,533**	25,553
Bank deposits	26(b)	**–**	1,313

32. DEFERRED TAX

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets	Provision for impairment loss of trade receivables HK$'000	Provision for impairment loss of inventories HK$'000	Provision for impairment loss of other receivables HK$'000	Provision for impairment loss of property, plant and equipment HK$'000	Total HK$'000
As at 1 January 2015	2,154	38	2,028	–	4,220
Credited/(charged) to profit or loss	832	–	(52)	235	1,015
Charged to other comprehensive income	–	–	–	1,206	1,206
Exchange realignment	(149)	(2)	(106)	(36)	(293)
As at 31 December 2015 and 1 January 2016	**2,837**	**36**	**1,870**	**1,405**	**6,148**
Credited to profit or loss	**806**	**135**	**1,747**	**–**	**2,688**
Exchange realignment	**(218)**	**(8)**	**(199)**	**(9)**	**(434)**
As at 31 December 2016	**3,425**	**163**	**3,418**	**1,396**	**8,402**

32. DEFERRED TAX *(Continued)*

Deferred tax liabilities	Revaluation of property, plant and equipment HK$'000
As at 1 January 2015	6,216
Credited to profit or loss	(588)
Charged to other comprehensive income	993
As at 31 December 2015 and 1 January 2016	**6,621**
Credited to profit or loss	**(1,507)**
Charged to other comprehensive income	**2,095**
As at 31 December 2016	**7,209**

As at 31 December 2016, the Group had no material unrecognised temporary differences (2015: nil).

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate for the Group is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2016, there was no significant unrecognised deferred tax liabilities (2015: nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

33. PROVISION FOR LONG SERVICE PAYMENT

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	**26**	210
Provision/(reversal of provision)	**7**	(184)
Balance at end of the year	**33**	26

34. SHARE CAPITAL

	Number of ordinary shares	Share capital HK$'000
Authorised:		
As at 1 January 2015, 31 December 2015 and 1 January 2016, ordinary shares of HK$0.10 each	10,000,000,000	1,000,000
Capital reduction (note (b))	90,000,000,000	–
At 31 December 2016, ordinary shares of HK$0.01 each	100,000,000,000	1,000,000
Issued and fully paid:		
As at 1 January 2015, ordinary shares of HK$0.10 each	1,434,301,299	143,430
Exercise of share options	20,500,000	2,050
Issue of shares (note (a))	290,960,000	29,096
At 31 December 2015 and 1 January 2016, ordinary shares of HK$0.10 each	1,745,761,299	174,576
Capital reduction (note (b))	–	(157,118)
Exercise of share options	119,800,000	1,198
Issue of shares by way of open offer (note (c))	2,618,641,947	26,186
At 31 December 2016, ordinary shares of HK$0.01 each	4,484,203,246	44,842

34. SHARE CAPITAL *(Continued)*

Notes:

(a) Issue of shares

Pursuant to the placing agreement entered into on 10 July 2015, the Company has issued 290,960,000 ordinary shares at a placing price of HK$0.335 per share on 28 July 2015.

(b) Capital reduction

On 19 April 2016, the Company completed the capital reorganisation under 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 was sub-divided into ten ordinary shares of HK$0.01 each; and (iii) the credit of HK$157,118,517 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.

(c) Issue of shares by way of open offer

On 27 May 2016, the Company issued 2,618,641,947 ordinary shares of HK$0.01 each as a result of open offer at a subscription price of HK$0.08 each.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets. Details of the Company's share option scheme and the share options issued under the scheme are disclosed in note 37.

35. CONVERTIBLE NOTES

On 2 May 2014, the Company issued convertible notes with an aggregate 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 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 a 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 converted into conversion shares at the conversion price subject to compliance with the 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.

35. CONVERTIBLE NOTES *(Continued)*

As the convertible notes has no contracted obligation to repay its principal nor to pay any distributions, they 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.

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 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 to the Company as collateral for the Guaranteed Profit. As disclosed in note 25, due to the default of the Guarantors in paying the deficient amount to the Guaranteed Profit, the Group 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:

	2016 **HK$'000**	2015 HK$'000
Balance at beginning of the year	**54,597**	75,595
Redemption	**(41,997)**	(20,998)
Balance at end of the year	**12,600**	54,597

36. RESERVES

(a) Share premium account and capital redemption reserve

The application of share premium account and capital redemption reserve is governed by Section 40 of the Companies Act 1981 of Bermuda ("Companies Act").

(b) Contributed surplus

Contributed surplus represents the difference between the aggregate of the nominal values of the shares of the subsidiaries acquired at the date of acquisition, over the nominal value of the shares of the Company issued in exchange thereof and issued on incorporation.

In addition to the retained earnings, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(c) Share option reserve

Share option reserve comprises the fair value of the actual or estimated number of shares issuable under unexercised share options granted to participants recognised in accordance with accounting policies set out in note 3.

(d) Asset revaluation reserve

Asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property, plant and equipment in note 3.

(e) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.

(f) PRC statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the subsidiaries established in the PRC, it is required to appropriate 10% of the profit arrived at in accordance with the PRC accounting standards for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the respective entity. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in-capital.

37. SHARE OPTION SCHEME

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme")

The Option Scheme was adopted on 17 June 2016. The purpose of the Option Scheme is to recognise and acknowledge the contributions or potential contributions made or to be made by the eligible participants to the Group and the entity in which the Group holds any equity interest (the "Invested Entity(ies)"), to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group and the Invested Entities, and to maintain or attract business relationship with the eligible participants whose contributions are or may be beneficial to the growth of the Group and the Invested Entities.

Eligible participants of the Option Scheme include employee (whether full-time or part-time including any executive director), officer (including any non-executive director and independent non-executive director), substantial shareholder, consultant, agent, adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons, or any company beneficially owned by any of the abovementioned category(ies) of persons, or any other person who satisfies the criteria set out in the Option Scheme.

The Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from the date of the offer for grant of the option. The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be granted under the Option Scheme and other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares of the Group in issue as at the date of adopting the Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted under the Option Scheme and other share option schemes of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company. Share options granted under the Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also a grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

37. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme") *(Continued)*

A share option may be accepted by a participant within 21 days from the date of the offer of the option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the Option Scheme, and commences from the date of acceptance of the offer of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The subscription price shall be determined by the board of directors and notified to a participant at the time the grant of the option(s) (subject to any adjustments made pursuant to Clause 9 in the Option Scheme) is made to (and subject to acceptance by) the participant and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and (c) the nominal value of the shares.

A nominal consideration of HK$1 is payable on acceptance of the offer of an option. Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting. Each option gives the holder the right to subscribe for one ordinary share in the Company.

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 at subscription price of HK$0.1682 per share on or before 21 June 2026, representing 9.99% of the shares of the Company in issue at that date. The options are vested at the date of grant.

The closing price of the Company's shares immediately before the date of grant of the options was HK$0.167. The average closing price of the Company's shares for the five trading days immediately preceding the date of grant of options was HK$0.1682. The estimated fair value of the share options granted during the year was calculated by using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The measurement date used in the valuation calculations were the date on which the options were granted. The inputs used in the model are as follows:

Closing share price at date of grant	HK$0.1670
Exercise price	HK$0.1682
Expected exercise multiple	1.9–3.6
Expected volatility	56%
Expected dividend yield	0%
Risk-free interest rate	1.19%

The variables and assumptions used above are based on the best estimates of an independent firm of professional valuer, LCH (Asia-Pacific) Surveyors Limited. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

During the year ended 31 December 2016, 119,800,000 options were exercised at exercise price of HK$0.1682 and resulted in the issue of 119,800,000 ordinary shares. Its weighted average closing price of the ordinary shares immediately before the dates on which the options were exercised was HK$0.210. No options were lapsed and cancelled during the year.

37. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme") *(Continued)*

The following table discloses movement of the Company's share options under the Option Scheme during the year:

	Date of grant	Exercise period	Exercise price	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Outstanding as at 31 December 2016
Executive directors							
Huang Weidong	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	43,600,000	–	43,600,000
Leung Chi Fai	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	43,600,000	(33,600,000)	10,000,000
Li Chongyang	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	43,600,000	(33,600,000)	10,000,000
Qi Jiao	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	43,600,000	–	43,600,000
Independence non-executive directors							
Cong Yongjian	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	10,000,000	–	10,000,000
Lam Kai Yeung	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	10,000,000	–	10,000,000
Liu Chenli	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	29,000,000	–	29,000,000
Deng Chunmei (resigned on 30 June 2016)	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	29,000,000	(29,000,000)	–
Substantial shareholders							
Business Century Investments Limited	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	29,000,000	–	29,000,000
Everun Oil Co., Limited	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	29,000,000	–	29,000,000
Employees							
in aggregate	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	38,600,000	(23,600,000)	15,000,000
Consultants							
in aggregate	22 June 2016	22 June 2016 – 21 June 2026	HK$0.1682	–	87,200,000	–	87,200,000
				–	436,200,000	(119,800,000)	316,400,000

The estimated fair value of the share options as at the date of grant ranged from HK$0.073 to HK$0.091 per share, totally amounting to HK$38,960,000. During the year ended 31 December 2016, the Group recognised equity-settled share-based payment of HK$38,960,000 (2015: nil) in relation to the share options granted by the Company.

As at the date of this report, there are 328,620,324 ordinary shares available for issue under the Option Scheme, representing approximately 7.33% of the issued share capital of the Company.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of subsidiaries

On 7 July 2016, the Group acquired assets and liabilities by way of acquisition of the entire equity interest of Ark One Limited ("Ark One") at a consideration of approximately HK$5,922,000 which was settled by cash and deposit paid.

On 19 July 2016, the Group acquired a business by way of acquisition of the entire equity interest of Grand Silver Securities Limited ("Grand Silver") at a consideration of approximately HK$11,700,000 which was settled by cash.

	Ark One HK$'000	Grand Silver HK$'000	Total HK$'000
Assets and liabilities acquired:			
Property, plant and equipment	–	2	2
Intangible assets	5,786	6,000	11,786
Trade receivables	–	38	38
Prepayments, deposits and other receivables	–	268	268
Bank and cash balances	136	4,527	4,663
Trade payables	–	(91)	(91)
Other payables and accruals	–	(85)	(85)
	5,922	10,659	16,581
Goodwill	–	1,041	1,041
	5,922	11,700	17,622
Satisfied by:			
Cash	4,922	11,700	16,622
Deposit paid	1,000	–	1,000
	5,922	11,700	17,622
Net cash outflow arising on acquisition:			
Cash consideration paid	4,922	11,700	16,622
Cash and cash equivalents acquired	(136)	(4,527)	(4,663)
	4,786	7,173	11,959

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Acquisition of subsidiaries *(Continued)*

The fair value of the trade receivables, prepayments, deposits and other receivables acquired is HK$38,000 and HK$268,000 respectively.

The goodwill arising on the acquisition of Grand Silver is attributable to the CGU of Financial services.

Grand Silver contributed HK$2,449,000 to the Group's loss for the year respectively for the period between their dates of acquisition and the end of the reporting period. Grand Silver did not contributed any revenue to the Group during the year.

If the acquisition of Grand Silver had been completed on 1 January 2016, the Group's total revenue for the year would have been HK$146,758,000 and loss for the year would have been HK$181,597,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

39. COMMITMENTS

Lease commitments

The Group leases certain of its office premises under operating lease arrangements. Leases for the office premises are negotiated for one to three (2015: one to three) years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK$'000	2015 HK$'000
— within one year	**5,754**	4,548
— in the second to fifth years inclusive	**2,088**	6,410
	7,842	10,958

Capital commitments

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

	2016 HK$'000	2015 HK$'000
Contracted but not provided for:		
— Acquisition of a subsidiary	**–**	4,000

40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group has no other related party transactions (2015: nil).

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the current and prior years.

41. CAPITAL RISK MANAGEMENT *(Continued)*

The capital structure of the Group consists of debt (which include trade and bill payables, other payables, accruals and deposits received, amount due to a non-controlling shareholder, borrowings and tax payable) and total equity. The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2016 and 2015 are as follows:

	2016 **HK$'000**	2015 HK$'000 (Restated)
Debt	**138,807**	136,579
Equity	**404,578**	410,750
Debt to equity ratio	**34%**	33%

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	2016 **HK$'000**	2015 HK$'000 (Restated)
Financial assets		
Financial assets at FVTPL	–	571
Derivative instruments	–	13,695
Loans and receivables:		
Trade and bill receivables	**212,396**	124,930
Deposits and other receivables	**30,431**	18,982
Restricted bank deposits	**61**	367
Pledged bank deposits	–	1,313
Bank and cash equivalents	**46,107**	22,802
	288,995	182,660
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and bill payables	**39,046**	44,065
Other payables and accruals	**51,829**	29,017
Amount due to a non-controlling shareholder	**11,655**	1,258
Interest-bearing borrowings	**27,646**	45,671
	130,176	120,011

The Group is exposed to a variety of financial risks including foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk, which result from both its operating and financing activities.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Market risk

Foreign exchange risk

The Group's businesses are principally conducted in Hong Kong and the PRC. The majority of assets and liabilities are denominated in HK$ and RMB. The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and also by way of forward contracts when necessary.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its bank deposits and bank borrowings. However, the directors of the Company are of the opinion that the Group does not have significant interest rate risk as the fluctuation in interest rates is not expected to be material. The Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measure in future as may be necessary.

Price risk

The Group was exposed to equity price risk arising from financial assets at FVTPL as at 31 December 2015. However, the directors of the Company considered that the price risk of the Group was not significant as the balance of financial assets at FVTPL was not material.

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has to determine the credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. Concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2016, 24% (2015: 9%) of the total trade receivables was due from the Group's largest customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and no recent history of default.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 24.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and available banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

At 31 December 2016	**On demand or within 1 year HK$'000**	**1–2 years HK$'000**	**Over 2 years HK$'000**	**Total HK$'000**
Trade and bill payables	**39,046**	**–**	**–**	**39,046**
Other payables and accruals	**51,829**	**–**	**–**	**51,829**
Amount due to a non-controlling shareholder	**11,655**	**–**	**–**	**11,655**
Interest-bearing borrowings	**13,927**	**16,236**	**–**	**30,163**
	116,457	**16,236**	**–**	**132,693**

At 31 December 2015	On demand or within 1 year HK$'000	1–2 years HK$'000	Over 2 years HK$'000	Total HK$'000
Trade and bill payables	44,065	–	–	44,065
Other payables and accruals	29,017	–	–	29,017
Amount due to a non-controlling shareholder	1,258	–	–	1,258
Interest-bearing borrowings	29,459	3,842	17,355	50,656
	103,799	3,842	17,355	124,996

43. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2016 are as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued/paid up capital	Percentage of equity attributable to the Company 2016	2015	Principal activities
Direct subsidiaries:					
First Billion Global Limited	The British Virgin Islands ("BVI")	US$1	**100%**	100%	Investment holding
Palestine Global Limited	BVI	US$1	**100%**	100%	Investment holding
Grand Insight Global Limited	BVI	US$50,000	**100%**	100%	Investment holding
Sunway International Group Limited	BVI	US$50,000	**100%**	100%	Investment holding
Top Margin Group Limited	BVI	US$1	**100%**	100%	Investment holding
Sunway New Energy Industry Group Limited	BVI	US$50,000	**100%**	100%	Investment holding
Lucky Digit Holdings Limited	BVI	US$1	**100%**	–	Investment holding
Insight City Investments Limited	BVI	US$50,000	**100%**	–	Not yet commenced
Indirect subsidiaries:					
Joint Expert Global Limited	BVI	US$1	**100%**	100%	Investment holding
Royal Asia International Limited	Hong Kong	HK$1,000,000	**100%**	100%	Investment holding
Zhuhai Hoston Special Materials Co., Ltd. ("Zhuhai Hoston")*	PRC	RMB56,000,000	**95%**	95%	Manufacturing and sales of PC steel bars

43. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Nominal value of issued/paid up capital	Percentage of equity attributable to the Company 2016	2015	Principal activities
Guangdong Hengjia Building Materials Co., Ltd. ("Guangdong Hengjia")#	PRC	RMB50,000,000	**66.5%**	66.5%	Manufacturing and trading of PHC plies, bricks, aerated concrete products and eco-permeable concrete products
Topping Gain International Limited	Hong Kong	HK$1	**100%**	100%	Not yet commenced
Sunway Financial Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Money lending
Sunway International Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Providing management services
Sunway New Energy Industry Investment Limited	Hong Kong	HK$10,000,000	**100%**	100%	Not yet commenced
Ark One Limited	Hong Kong	HK$500,000	**100%**	–	Providing asset management services
Grand Silver Securities Limited	Hong Kong	HK$20,000,000	**100%**	–	Providing securities brokerage services

* The company is registered as a wholly-foreign owned enterprise under the PRC law.

The Group's equity interest of Guangdong Hengjia was frozen in relation to the litigation proceedings as mentioned in note 44(b).

43. SUBSIDIARIES *(Continued)*

The following table shows information of a subsidiary that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Guangdong Hengjia	
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	33.5%/33.5%	33.5%/33.5%

	2016 HK$'000	2015 HK$'000
At 31 December:		
Non-current assets	**141,733**	148,501
Current assets	**243,632**	220,803
Current liabilities	**(167,070)**	(157,682)
Non-current liabilities	**(21,388)**	(24,816)
Net assets	**196,907**	186,806
Accumulated NCI	**65,964**	62,580
Year ended 31 December:		
Revenue	**242,146**	329,876
Profit for the year	**11,375**	19,675
Total comprehensive income	**8,010**	22,774
Profit allocated to NCI	**3,811**	10,550
Dividends paid to NCI	**–**	–
Net cash generated from operating activities	**10,996**	13,091
Net cash generated from investing activities	**(4,870)**	(942)
Net cash generated from financing activities	**(5,385)**	(5,603)
Net increase in cash and cash equivalents	**741**	6,546

44. LEGAL PROCEEDINGS

During the year and up to the date of this report, the Group has been involved in the following legal proceedings:

The Company/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 and RMB2,295,538, 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 Zhuhui 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 report, 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 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 an action initiated by Liu Qian (劉倩) ("Ms. Liu") as the plaintiff against the Company as the defendant in the Court of First Instance High Court of Hong Kong on 3 February 2016. On 3 October 2016, Ms. Liu applied for a summary judgement 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 judgement (the "Judgement") 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 Judgement and apply for stay of execution of the Judgement.

(d) Reference is made to the announcement of the Company dated 11 November 2016 in relation to the 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 Bi Xiaohui (畢肖輝) and Chen Xiaodong (陳曉東), 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 Wu Min (吳敏) and Kou Jinshui (寇金水) have commenced on 6 December 2016 and 5 December 2016, in respect of the personal loans of RMB1,000,000 and RMB3,500,000, respectively owing by 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 report, judgements of the hearings have yet to be issued.

44. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the defendant *(Continued)*

(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 report, judgement of the hearing has yet to be issued.

The directors of the Company are of the opinion that the trade and other payables and provision for late penalty charges and corresponding legal fee are sufficiently made in the consolidated financial statements as at 31 December 2016.

The Company/its subsidiaries as the plaintiff

(e) By a general indorsed writ of summons dated 23 June 2015 (the "23 June 2015 Legal Proceeding") 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 Wang Zhining (王志寧) ("Mr. Wang") (collectively, the "Defendants"), the vendor and the guarantor, respectively of a very substantial acquisition of the Company (the "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 the SPA. Accordingly, the Plaintiffs are seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao.

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 Proceeding 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 王天 (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 report, the case is still going through the litigation procedures and no judgement 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 Wang Zhining (王志寧) and Wang Tian (王天), 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 report, 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.

Other than as disclosure of above, no other significant and material financial implication arising from the cases.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

a) Statement of financial position of the Company

	2016 HK$'000	2015 HK$'000 (Restated)	2014 HK$'000 (Restated)
Non-current assets			
Investments in subsidiaries	**1,560**	1,170	395,085
Available-for-sale financial assets	**–**	–	1,037
Derivative instruments	**–**	13,695	43,452
	1,560	14,865	439,574
Current assets			
Amounts due from subsidiaries	**267,056**	86,720	–
Prepayments and other receivables	**2,219**	90,738	10,646
Cash and bank balances	**26,507**	14,167	5,417
	295,782	191,625	16,063
Current liabilities			
Other payables and accruals	**3,739**	1,427	4,237
Amounts due to subsidiaries	**1,706**	1,163	2
	5,445	2,590	4,239
Net current assets	**290,337**	189,035	11,824
Total assets less current liabilities	**291,897**	203,900	451,398
Non-current liabilities			
Provision for long service payment	**33**	26	210
Other payable	**–**	–	129,089
Promissory note	**–**	–	78,559
	33	26	207,858
NET ASSETS	**291,864**	203,874	243,540
Capital and reserves			
Share capital	**44,842**	174,576	143,430
Convertible notes	**12,600**	54,597	75,595
Reserves	**234,422**	(25,299)	24,515
TOTAL EQUITY	**291,864**	203,874	243,540

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

b) Reserves of the Company

Details of movements in the Company's reserves are as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015, as previously stated	191,419	118,377	509	5,711	2,667	(304,469)	14,214
Effect of prior year adjustments	–	–	–	–	–	10,301	10,301
At 1 January 2015, as restated	191,419	118,377	509	5,711	2,667	(294,168)	24,515
Profit for the year	–	–	–	–	–	17,658	17,658
Available-for-sale financial assets:							
Change in fair value	–	–	–	–	18	–	18
Reclassification adjustment for gain on disposal of included in the consolidated statement of profit or loss	–	–	–	–	(2,685)	–	(2,685)
Total comprehensive (loss)/ income for the year	–	–	–	–	(2,667)	17,658	14,991
Issue of shares pursuant to placing agreement	68,376	–	–	–	–	–	68,376
Transaction cost attributable to issue of placing shares	(2,646)	–	–	–	–	–	(2,646)
Redemption of convertible notes	(14,002)	–	–	–	–	–	(14,002)
Exercise of share options	4,140	–	–	(2,296)	–	–	1,844
Share options lapsed	–	–	–	(3,415)	–	3,415	–
Release upon disposal of subsidiaries	–	(118,377)	–	–	–	–	(118,377)
At 31 December 2015, as restated	247,287	–	509	–	–	(273,095)	(25,299)
At 1 January 2016, as previously stated	247,287	–	509	–	–	(375,945)	(128,149)
Effect of prior year adjustments	–	–	–	–	–	102,850	102,850
At 1 January 2016, as restated	247,287	–	509	–	–	(273,095)	(25,299)
Loss for the year	–	–	–	–	–	(84,739)	(84,739)
Total comprehensive loss for the year	–	–	–	–	–	(84,739)	(84,739)
Capital reduction	–	157,118	–	–	–	–	157,118
Issue of shares by way of open offer	183,305	–	–	–	–	–	183,305
Recognition of equity-settled share-based payments	–	–	–	38,960	–	–	38,960
Redemption of convertible notes	–	–	–	–	–	(47,157)	(47,157)
Exercise of share options	29,421	–	–	(10,472)	–	–	18,949
Transaction cost attributable to issue of offer shares	(6,715)	–	–	–	–	–	(6,715)
At 31 December 2016	**453,298**	**157,118**	**509**	**28,488**	**–**	**(404,991)**	**234,422**

46. EVENTS AFTER THE REPORTING PERIOD

The Group has no material event subsequent to the year ended 31 December 2016.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2017.