



SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058

Interim Report 2017



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CORPORATE INFORMATION

DIRECTORS

Executive Director:

Li Chongyang (*Managing Director*)
Leung Chi Fai (*Finance Director*)
Qi Jiao

Non-executive Director:

Huang Weidong (*Chairman*)
Liu Chenli

Independent Non-executive Director:

Cong Yongjian
Lam Kai Yeung
Lam Huen Sum

COMPANY SECRETARY

Leung Chi Fai

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

AUDITOR

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

AUTHORISED REPRESENTATIVES

Leung Chi Fai
Li Chongyang

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE INFORMATION

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

PRINCIPAL BANKERS

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

In the People's Republic of China (the "PRC"):
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

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	Six months ended	
		30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
REVENUE	4	141,628	124,690
Cost of sales		(106,899)	(96,447)
Gross profit		34,729	28,243
Other income		676	1,666
Other gains and losses	5	(2,035)	(2,846)
Selling and distribution expenses		(12,021)	(11,200)
Administrative expenses		(22,851)	(62,179)
Other expenses		(66)	(310)
Finance costs	6	(1,396)	(1,516)
LOSS BEFORE TAX	7	(2,964)	(48,142)
Income tax expenses	8	(3,038)	(3,184)
LOSS FOR THE PERIOD		(6,002)	(51,326)
Loss for the period attributable to:			
Owners of the Company		(8,807)	(54,167)
Non-controlling interests		2,805	2,841
		(6,002)	(51,326)
Loss per share attributable to owners of the Company for the period			
Basic and diluted	10	HK(0.2 cents)	HK(2 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD	(6,002)	(51,326)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified to consolidated income statement in subsequent periods:		
Exchange differences on translation of foreign operations	2,110	(1,989)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(3,892)	(53,315)
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(8,430)	(54,841)
Non-controlling interests	4,538	1,526
	(3,892)	(53,315)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	101,264	106,957
Intangible assets		11,786	11,786
Prepaid land lease payments		23,204	23,064
Goodwill		20,982	20,982
Deferred tax assets		8,618	8,402
Construction in progress		50	–
Total non-current assets		165,904	171,191
CURRENT ASSETS			
Financial assets at fair value through profit or loss		19,957	–
Inventories		15,815	13,634
Trade receivables	12	210,584	212,396
Prepayments, deposits and other receivables	13	113,353	89,787
Restricted bank deposits		63	61
Cash and cash equivalents		80,168	46,107
		439,940	361,985
Assets classified as held-for-sale		17,761	17,451
Total current assets		457,701	379,436
CURRENT LIABILITIES			
Trade and bill payables	14	33,608	39,046
Other payables, accruals and deposit received		57,325	55,080
Amount due to a non-controlling shareholder		500	11,655
Interest-bearing borrowings		13,524	12,566
Tax payable		7,876	5,380
Total current liabilities		112,833	123,727

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
NET CURRENT ASSETS		344,868	255,709
TOTAL ASSETS LESS CURRENT LIABILITIES		510,772	426,900
NON-CURRENT LIABILITIES			
Deferred tax liabilities		6,424	7,209
Provision for long service payment		21	33
Interest-bearing borrowings		30,501	15,080
Total non-current liabilities		36,946	22,322
NET ASSETS		473,826	404,578
EQUITY			
Share capital	15	53,571	44,842
Convertible notes		12,600	12,600
Reserves		342,058	284,915
Equity attributable to owners of the Company		408,229	342,357
Non-controlling interests		65,597	62,221
TOTAL EQUITY		473,826	404,578

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Share capital HK\$'000 (Unaudited)	Convertible notes HK\$'000 (Unaudited)	Share premium account HK\$'000 (Unaudited)	Share contributed surplus HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Share option reserve HK\$'000 (Unaudited)	Asset revaluation reserve HK\$'000 (Unaudited)	Exchange fluctuation reserve HK\$'000 (Unaudited)	PRC statutory reserves HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interest HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
As at 1 January 2017	44,842	12,600	453,298	157,118	509	28,488	7,630	(3,787)	7,187	(985,528)	342,357	62,221	404,578
Loss for the period	-	-	-	-	-	-	-	-	-	(8,807)	(8,807)	2,805	(6,002)
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	377	-	-	377	1,733	2,110
Total comprehensive income for the period	-	-	-	-	-	-	-	377	-	(8,807)	(8,430)	4,538	(3,892)
Issue of shares by way of Placing	8,729	-	66,339	-	-	-	-	-	-	-	75,068	-	75,068
Transfer of PRC statutory reserve	-	-	-	-	-	-	-	-	2,033	(871)	1,162	(1,162)	-
Transaction cost attributable to issue of placing shares	-	-	(1,928)	-	-	-	-	-	-	-	(1,928)	-	(1,928)
As at 30 June 2017	53,571	12,600	517,709	157,118	509	28,488	7,630	(3,410)	9,220	(975,206)	406,229	65,597	473,826

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Share capital HK\$'000 (Unaudited)	Convertible notes HK\$'000 (Unaudited)	Share premium account HK\$'000 (Unaudited)	Share contributed surplus HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Share option reserve HK\$'000 (Unaudited)	Asset revaluation reserve HK\$'000 (Unaudited)	Exchange fluctuation reserve HK\$'000 (Unaudited)	PRC statutory reserves HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
As at 1 January 2016	174,576	54,597	247,287	-	509	-	4,105	(2,742)	5,751	(98,135)	307,800
Loss for the period	-	-	-	-	-	-	-	-	-	(54,167)	(51,328)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(674)	-	-	(1,369)
Total comprehensive income for the period	-	-	-	-	-	-	-	(674)	-	(54,167)	(53,315)
Capital reduction	(157,118)	-	-	157,118	-	-	-	-	-	-	-
Issue of shares by way of open offer	26,186	-	183,305	-	-	-	-	-	-	-	209,491
Recognition of equity-settled share-based payments	-	-	-	-	-	39,000	-	-	-	-	39,000
Transfer of PRC statutory reserve	-	-	-	-	-	-	-	-	1,190	(791)	389
Transaction cost attributable to issue of offer shares	-	-	(6,715)	-	-	-	-	-	-	-	(6,715)
As at 30 June 2016	43,644	54,597	423,877	157,118	509	39,000	4,105	(3,416)	6,941	(291,693)	438,632
											438,632
											61,679
											496,361

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Net cash used in operating activities	(19,681)	(12,684)
Net cash used in investing activities	(23,651)	(1,619)
Net cash generated from financing activities	80,292	200,240
Net increase in cash and cash equivalents	36,960	185,937
Cash and cash equivalents at the beginning of the period	46,107	22,802
Effect of foreign exchange rate changes, net	(2,899)	69
Cash and cash equivalents at the end of the period	80,168	208,808
Analysis of balances of cash and cash equivalents		
Cash and bank balances	80,168	138,808
Bank deposits with original maturity within three months	–	70,000
Total cash and cash equivalents	80,168	208,808

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1. Basis of presentation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by The Hong Kong Institution of Certified Public Accountants (“HKICPA”).

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2016 (the “Annual Financial Statements 2016”) of the Company, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

2.2 Principal accounting policies

The accounting policies used in preparation of these financial statements are consistent with those adopted in the Annual Financial Statements 2016, except for adoption of the new and revised HKFRSs (which also include HKASs and Interpretations) which are first effective for the current accounting period.

In the current accounting period, 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 period beginning on or after 1 January 2017. 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 condensed consolidated financial statements and amounts reported for the current and prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.2 Principal accounting policies *(continued)*

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.

3. OPERATING SEGMENT INFORMATION

The Group has three reportable segments as follows:

- 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, provision of assets management services, advising on securities services and securities brokerage services (the “Financial services”).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. OPERATING SEGMENT INFORMATION *(CONTINUED)*

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.

(a) Segment results, segment assets and liabilities

	PC steel bar HK\$'000	PHC piles and others HK\$'000	Financial services HK\$'000	Total HK\$'000
For the six months ended 30 June 2017				
Segment revenue				
Revenue from external customers	-	136,619	5,009	141,628
Segment results	(909)	11,725	(6,382)	4,434
Reconciliation:				
Bank interest income				9
Other gains and losses, net				48
Finance costs				(1,396)
Unallocated head office and corporate expenses				(6,059)
Loss before tax				(2,964)
Income tax expense				(3,038)
Loss for the year				(6,002)
As at 30 June 2017				
Segment assets	27,994	324,035	137,845	489,874
Unallocated assets				133,731
				623,605
Segment liabilities	(46,314)	(43,068)	(172)	(89,554)
Unallocated liabilities				(60,225)
				(149,779)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. OPERATING SEGMENT INFORMATION *(CONTINUED)*

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

	PC steel bar HK\$'000	PHC piles and others HK\$'000	Financial services HK\$'000	Total HK\$'000
For the six months ended				
30 June 2016				
Segment revenue				
Revenue from external customers	-	124,690	-	124,690
Segment results	(2,590)	12,403	-	9,813
Reconciliation:				
Bank interest income				32
Other gains and losses, net				(2,762)
Finance costs				(1,516)
Unallocated head office and corporate expenses				(53,709)
Loss before tax				(48,142)
Income tax expense				(3,184)
Loss for the year				(51,326)
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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Other segment information

	PC steel bar HK\$'000	PHC piles and others HK\$'000	Financial services HK\$'000	Corporate/ unallocated HK\$'000	Total HK\$'000
For the six months ended 30 June 2017					
Other segment information:					
Capital expenditure	-	(33)	(582)	-	(615)
Depreciation	10	(8,577)	(239)	(188)	(8,994)
Amortisation of prepaid land lease payments	-	(270)	-	-	(270)
Provision for impairment loss of trade receivables, net	-	(2,535)	-	-	(2,535)
Provision for impairment loss of prepayments deposits and other receivables, net	-	44	-	-	44

	PC steel bar HK\$'000	PHC piles and others HK\$'000	Financial services HK\$'000	Corporate/ unallocated HK\$'000	Total HK\$'000
For the six months ended 30 June 2016					
Other segment information:					
Capital expenditure	-	(1,183)	-	(4)	(1,187)
Depreciation	(535)	(9,216)	-	(187)	(9,938)
Amortisation of prepaid land lease payments	(127)	(284)	-	-	(411)
Amortisation of intangible asset	-	(22)	-	-	(22)
Provision for impairment loss of trade receivables, net	(85)	-	-	-	(85)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. 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	
	As at		Six months ended	
	30 June 2017	31 December 2016	30 June 2017	30 June 2016
Hong Kong	15,783	15,627	5,009	–
The PRC (Note)	150,121	155,564	136,619	124,690
	165,904	171,191	141,628	124,690

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

(d) Information about major customers

For the six months ended 30 June 2017, the Group had transactions with one customer, which contributed over 10% of the Group's total revenue. The total revenue earned from this customer amounting to HK\$16,286,000. For the six months ended 30 June 2016, the total revenue earned from this customer amounting to HK\$21,247,000.

4. REVENUE

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. OTHER GAINS AND LOSSES

An analysis of the Group's other gains and losses is as follows:

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Exchange difference	3,533	(2,713)
Net loss arising of financial asset designated as at fair value through profit or loss	(3,077)	(48)
Provision for impairment loss of trade receivables, net	(2,535)	(85)
Reversal of provision for impairment loss of prepayments, deposits and other receivables	44	–
	(2,035)	(2,846)

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Interest on interest-bearing borrowings	1,396	1,516

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

7. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Amortisation of prepaid land lease payments	270	411
Amortisation of intangible asset	–	22
Depreciation	8,994	9,938
Cost of inventories sold	79,016	74,320
Minimum lease payments under operating leases in respect of land and buildings	2,946	2,109
Employee benefit expenses (including directors' remuneration):		
Salaries, wages and other benefits	16,483	14,125
Pension scheme contributions	1,169	678
(Reversal of provision for)/provision for long service payment, net	(12)	10
Equity-settled share-based payment	–	39,000
	17,640	53,813

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

8. INCOME TAX EXPENSES

No provision for Hong Kong profits tax had been made during the period (six months ended 30 June 2016: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Subsidiaries established in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (six months ended 30 June 2016: 25%).

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Current tax — PRC Enterprises Income Tax		
— Current tax for the period	4,367	3,967
— Over-provision in prior years	(550)	—
Deferred tax	3,817 (779)	3,967 (783)
	3,038	3,184

9. DIVIDEND

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (30 June 2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

10. LOSS PER SHARE

Basic loss per share amount is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue throughout the period.

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Loss:		
Loss for the period attributable to owners of the Company used in the basic loss per share calculation	(8,807)	(54,167)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis loss per share	4,910,064	2,998,417

For the six months ended 30 June 2017 and 30 June 2016, no adjustment has been made to the basic loss per share amounts presented, as the conversion of the Company's outstanding convertible notes and exercise of outstanding share options had an anti-dilutive effect on the basic loss per share.

Basic loss per share for the six months ended 30 June 2017 and 30 June 2016 have been adjusted to reflect the issue of shares by way of placing of shares and open offer during the periods respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired the property, plant and equipment of approximately HK\$615,000 (30 June 2016: HK\$9,938,000).

12. TRADE RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade receivables, gross	247,800	244,766
Less: provision for impairment	(37,216)	(33,917)
Trade receivables, net	210,584	210,849
Bill receivables	-	1,547
	210,584	212,396

(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 for a period of one to three (31 December 2016: one to three) months from the date of billing, except for certain well-established customers, where the terms are extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk.

As at 30 June 2017, except for the receivables from loans to customers of HK\$123,736,000 (31 December 2016: HK\$123,041,000) 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.

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 3 months	84,930	64,496
4 to 6 months	25,216	121,769
7 to 12 months	81,844	8,701
Over 12 months	18,594	15,883
	210,584	210,849

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

12. TRADE RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

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

	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Balance at beginning of the period	33,917
Impairment loss recognised	2,372
Impairment loss reversed	(144)
Exchange realignment	1,071
Balance at end of the period	37,216

(c) Trade receivables that are not impaired

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Neither past due nor impaired	145,071	153,207
Within 3 months past due	30,670	21,518
4 to 6 months past due	4,657	14,116
7 to 12 months past due	11,592	7,789
Over 12 months past due	18,594	14,219
	210,584	210,849

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 a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Prepayments	155,554	135,008
Deposit paid	3,375	3,097
Other receivables	32,818	27,803
Less: Provision for impairment loss	(78,394)	(76,121)
	113,353	89,787

14. TRADE AND BILL PAYABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade payables	33,608	39,046

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 3 months	18,470	19,513
4 to 6 months	6,523	8,970
7 to 12 months	1,902	3,809
Over 1 year	6,713	6,754
	33,608	39,046

The trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 days (31 December 2016: 30 days). The group has finance risk management policies in place to ensure that all payable are paid within the credit timeframe.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
As at 1 January 2017 and 30 June 2017, ordinary shares of HK\$0.01 each	100,000,000,000	1,000,000
Issued and fully paid:		
As at 1 January 2017, ordinary shares of HK\$0.01 each	4,484,203,246	44,842
Issue of shares (Note (a))	872,880,000	8,729
As at 30 June 2017, ordinary shares of HK\$0.01 each	5,357,083,246	53,571

Notes:

- (a) Pursuant to the placing agreement entered into on 26 April 2017, the Company has issued 872,880,000 ordinary shares of HK\$0.01 each at a placing price of HK\$0.086 per share on 17 May 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

16. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties, save as disclosed elsewhere in the condensed consolidated financial statements, are as follows:

(a) Outstanding balances with related parties

The amount due to a non-controlling shareholder is unsecured, interest-free and repayable on demand.

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Amount due to a non-controlling shareholder of a subsidiary	500	11,655

(b) Compensation of key management personnel of the Group

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

	Six months ended	
	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Fees	373	240
Salaries and allowances	1,644	1,644
Reversal of long service payment	(12)	(2)
Pension scheme contributions	36	36
Equity-settled share-based payments	–	22,567
	2,041	24,485

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees provided by related parties

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Guarantees of interest-bearing borrowings provided by:		
Directors and shareholders of a subsidiary	44,025	27,646
A related company of a subsidiary	44,025	27,646
A non-controlling shareholder of a subsidiary	44,025	27,646

17. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its leasehold land and buildings under operating lease arrangements. Leases for leasehold land and buildings are negotiated for one to three (31 December 2016: one to three) years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within one year	5,488	5,754
In the second to fifth year, inclusive	297	2,088
	5,785	7,842

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

18. COMMITMENTS

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Contracted, but not provided for: Construction in progress	401	–

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

Construction Materials Business consisted of 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”).

PHC Pile and Others Business

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

Revenue from the PHC Pile and Others Businesses represented sales of pre-stressed high strength concrete pile, ready-mixed concrete and bricks which contributed approximately 47%, 38% and 15%, (six month ended 30 June 2016: approximately 29%, 54% and 17%) respectively to the revenue of PHC Pile and Others Businesses. The total revenue of the Group for the six month ended 30 June 2017 (“FP2017”) was mainly generated from the PHC Pile and Others Businesses.

Revenue from external customers for FP2017 was HK\$136,619,000 compared with HK\$124,690,000 reported in the last period, which increased by approximately 9.6%. The increase in revenue for the period was mainly attributable to the rise in sales of pre-stressed high strength concrete pile. PHC Pile and Others Businesses contributed approximately 96.5% and 100% of the total revenue of the Group for FP2017 and last period respectively.

The operations of the PHC Pile and Others Business for FP2017 remained profitable. The segment profit for FP2017 was HK\$11,725,000 as compared with HK\$12,403,000 reported last period.

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 revenue during the FP2017. Expenses incurred during the year were mainly legal and professional fees and staff costs for the Zhuhai Factory. Segment loss for FP2017 was HK\$909,000 as compared with HK\$2,590,000 reported last period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Services Business

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

The Group commenced the money lending business in July 2016. Money lending business contributed HK\$5,009,000 to the revenue of the Group during the FP2017 (six month ended 30 June 2016: HK\$ Nil) and represented interest income from loans granted to customers.

On 15 May 2017, the Group obtained a licence to carry out Type 4 (advising on securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) in addition to its existing licences to carry out Type 9 (asset management) and Type 1 (dealing in securities) regulated activities under the SFO. The Group has not commenced its asset management services and advising on securities services during FP2017. The revenue generated by provision of securities brokerage services was minimal during FP2017.

Other gains and losses, net

Other gains and losses, net for FP2017 consisted of net exchange gain of HK\$3,533,000, provision for impairment loss of trade receivables of HK\$2,535,000, net loss arising on financial asset designated as at fair value through profit and loss of HK\$3,077,000 and reversal of provision for impairment of prepayments, deposits and other receivables of HK\$44,000.

Other expenses

Other expenses for FP2017 mainly represented donations of HK\$63,000.

Selling and distribution expenses

Selling and distribution expenses for FP2017 mainly comprised of transportation costs of HK\$10,686,000 and salaries for the sale-persons of HK\$940,000.

Administrative expenses

Administrative expenses for FP2017 mainly comprised of salaries and other benefits (including directors’ remuneration) of HK\$9,247,000 and legal and professional fees of HK\$4,734,000. The decrease in administrative expenses was mainly attributable to the decrease in recognition of equity-settled share based payment for FP2017.

Finance costs

Finance costs for FP2017 were interest expenses for the bank borrowings of HK\$1,396,000. The decreased in finance costs was due to the depreciation of Renminbi during FP2017.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six month ended 30 June 2017 (six month ended 30 June 2016: 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 30 June 2017, the total shareholders' equity of the Group was HK\$473,826,000, representing an increase of approximately 17% as compared with that as at 31 December 2016. As at 30 June 2017, the Group's cash and cash equivalents stood at HK\$80,168,000 whereas interest-bearing borrowings were HK\$44,025,000. During the period, 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 31.6% as at 30 June 2017.

SIGNIFICANT INVESTMENT AND ACQUISITION

The Group has no significant investment and acquisition during the period.

CAPITAL STRUCTURE

Convertible notes

As at 30 June 2017, 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.

Placing of New Shares

On 17 May 2017, a total of 872,880,000 ordinary shares of HK\$0.01 each have been successfully placed under general mandate by the Joint Placing Agents to not less than six places at the placing price of HK\$0.086 per share under the terms and conditions of the placing agreement entered into on 26 April 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Share options

In accordance with the share options scheme approved and adopted by the Company on 17 June 2016 (the "Share Options 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. As at 30 June 2017, the number of shares in respect of which options had been granted and exercisable was 316,400,000. No share options were exercised, cancelled or lapsed during the period. Details of the Share Options Scheme 2016 are set out in Disclosure of Additional Information.

Issued share capital

As at 30 June 2017, the issued shares of the Company was 5,357,083,246 (31 December 2016: 4,484,203,246) ordinary shares of HK\$0.01 each.

USE OF PROCEEDS FROM THE PLACING OF SHARES

During the period, the Company raised approximately HK\$75.07 million from the Placing of Shares. The net proceeds from the Placing of Shares was approximately HK\$73.10 million after deducting the placing commission and other expenses in connection with the placing.

As stated in the announcement of the Company dated 26 April 2017 and 17 May 2017, the Group intended to use approximately HK\$60.00 million of the net proceeds from the placing for the development of financial services business and the remaining balance of approximately HK\$13.10 million as general working capital of the Group.

As at 30 June 2017, an accumulated amount of approximately HK\$20 million of proceeds from the Placing of Shares was utilized in acquisition of financial assets at fair value through profit or loss and HK\$6 million was used as general working capital. The remaining proceeds of approximately HK\$40 million will be used for the development of financial services business and approximately HK\$7.1 million will be used as general working capital of the Group.

PLEDGE OF ASSETS

The Group's certain buildings of HK\$39,753,000, certain prepaid land lease payments of HK\$23,687,000 and certain plant and machinery of HK\$8,355,000 are used to secure banking facilities for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group has approximately 380 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 30 June 2017, the Group has contracted commitments of HK\$401,000 for construction in progress in PRC (31 December 2016: Nil).

CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, the Company does not have any material contingent liabilities.

MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE COOPERATION WITH A CONNECTED PERSON

Due to the outstanding research achievements of 中國科學院深圳先進技術研究院 (Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences) in the field of synthetic biology, on 5 May 2017, the Company entered into the MOU with Shenzhen Zhongke, a company in which Mr. Liu Chenli, one of the non-executive Directors, is interested in 80% of its registered capital and an associated company of 中國科學院深圳先進技術研究院 (Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences), in relation to the possible cooperation in establishing in the PRC a fund management company and an investment fund investing in synthetic bio-engineering industry within 6 months of the date of the MOU.

Except for the terms in relation to the Parties using their best endeavours to engage in negotiations, each Party bearing its own costs and expenses, non-disclosure (save for the compliance with the relevant law and the Listing Rules that are applicable to the Parties), governing law and mutual indemnity, the MOU does not constitute a legally-binding commitment of the Parties.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER THE REPORTING PERIOD

The Group has no material event subsequent to the period ended 30 June 2017 that needs to be disclosed.

PROSPECT

During the six months ended 30 June 2017, the Group obtained a licence to carry out Type 4 (advising on securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) in addition to its existing licences to carry out Type 9 (asset management) and Type 1 (dealing in securities) regulated activities under the SFO.

The Group will commence its business in provision of asset management and advising on securities in the second half of 2017.

On 5 May 2017, the Company entered into a memorandum of understanding with Shenzhen Zhongke, an associated company of 中國科學院深圳先進技術研究院 (Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences), in relation to the possible cooperation in establishing in the PRC a fund management company and an investment fund investing in synthetic bio-engineering industry. 中國科學院深圳先進技術研究院 (Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences) has outstanding research achievements in the field of synthetic biology. As at the date of this report, this possible cooperation is subject to further negotiations.

The Group is also seeking other investment opportunities in the finance sector in order to increase the returns and enhance value for the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended 30 June 2017 and up to the date of this report, there were changes in Directors of the Company as follows:

1. Mr. Liu Chenli was re-designated from an independent non-executive Director to a non-executive Director with effect from 10 May 2017, due to his material interest in a possible cooperation.

Following the re-designation of Mr. Liu, the number of the independent non-executive Directors and members of the Remuneration Committee have fallen below the minimum number required under Rules 3.10(1), 3.10A and 3.25 of the Listing Rules from 10 May 2017 to 11 June 2017.

2. Mr. Huang Weidong was re-designated from an Executive Director to a Non-executive Director with effect from 6 June 2017. Mr. Huang will remain as the Chairman of the Company, the Chairman of the Nomination Committee of the Board and a member of the Remuneration Committee of the Board.
3. Dr. Lam Huen Sum was appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board with effect from 12 June 2017. Following the appointment of Dr. Lam as an independent non-executive Director and a member of the Remuneration Committee, the Company is in compliance with the minimum number required under Rules 3.10(1), 3.10A and 3.25 of the Listing Rules.
4. Mr. Li Chongyang was re-designated as Managing Director of the Company with effect from 12 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

LEGAL PROCEEDINGS

As at the date of this report, the Group was involved in the following legal proceedings:

The Company/its subsidiary as the defendant

- (a) References are made to the annual report of the Company for the year ended 31 December 2016 (the “Annual Report 2016”), 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 30 June 2017, a total sum of RMB310,000 and RMB465,000 were paid to Zhuhai Port and Guangzhou Yihong, respectively.

Zhuhai Hoston received an execution order dated 21 November 2016 issued by the Jinwan People’s Court on the application of Zhuhai Port in relation to the auction of the land and properties owned by Zhuhai Hoston. The said land and properties have already been seized by the Jinwan People’s Court pursuant to its civil ruling dated 30 June 2015.

On 10 June 2017, the relevant land and properties were sold at RMB34,074,262 (equivalent to HK\$39,219,476) in an auction and the final result of the auction was confirmed by Jinwan People’s Court. The proceeds of the auction will be applied by the Jinwan People’s Court to settle claims from different creditors and the settlement of such claims is still pending to be made.

- (b) References are made to the Annual Report 2016, Zhuhai Hoston was ordered to pay the outstanding principal sums of RMB1,000,000 and RMB8,152,910, 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 civil rulings issued by 廣東省珠海市香洲區人民法院 (Guangdong Zhuhai Xiangzhou People’s Court)* (the “Xiangzhou People’s Court”) dated 7 November 2015 and 26 March 2016, respectively. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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 (the "High Court") 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 has filed appeal against the Judgement on 7 April 2017. The substantive hearing of the Appeal was heard in the Court of Appeal of Hong Kong on 22 August 2017 with judgement reserved.
- (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 Wang Tian (王天) to Bi Xiaohui (畢肖輝) and Chen Xiaodong (陳曉東), respectively, and interests on such respective principal sums and legal costs. Zhuhai Hoston has filed appeals against these civil rulings.

According to the civil rulings dated 28 March 2017 and 7 June 2017 on the appeals, Zhuhai Hoston was to assume responsibility for half of the outstanding personal loans owing by Wang Tian (王天) to Bi Xiaohui (畢肖輝) and Chen Xiaodong (陳曉東), respectively and the respective interest thereon and the legal costs.

Zhuhai Hoston received an execution notice and an order of property reporting dated 4 August 2017 issued by the Xiangzhou People's Court, under which Zhuhai Hoston is required to fulfill its liabilities according to the civil ruling dated 7 June 2017 or otherwise disclose its financial position to the Xiangzhou People's Court.

- (ii) Zhuhai Hoston received civil rulings on 10 April 2017 and 12 April 2017 and was to assume responsibility for half of the outstanding personal loans of RMB1,000,000 and RMB3,500,000, owing by Wang Tian to Wu Min (吳敏) and Kou Jinshui (寇金水), respectively, and the respective interests thereon and the legal costs. Zhuhai Hoston has filed appeals against these civil rulings and the matters are pending to be heard.

MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) Zhuhai Hoston received civil rulings on 13 April 2017 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 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.)* (“Zhuhai Hechuan”) as the lender, that the said lending has been fully settled by Zhuhai Hoston already and Zhuhai Hoston was not liable to any repayment of the loan and the respective interest thereon to Zhuhai Hechuan.

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 condensed consolidated financial statements as at 30 June 2017.

The Company/its subsidiaries as the plaintiff

- (e) By a general indorsed writ of summons dated 23 June 2015 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, all of whom are parties to 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 (the “SPA Legal Proceeding”). 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 Plaintiffs filed an amended statement of claim to the High Court adding Ms. Liu as a defendant to the SPA 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. By an order of the High Court dated 26 July 2017, the SPA Legal Proceeding has been adjourned for hearing of interlocutory applications on 5 December 2017.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

- (f) On 30 July 2015, Zhuhai Hoston 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.

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

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

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2017, 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	78,880,000	1.47%
Mr. Leung Chi Fai	Beneficial owner	14,240,000	0.27%
Mr. Li Chongyang	Beneficial owner	56,100,000	1.05%
Ms. Qi Jiao	Beneficial owner	43,600,000	0.81%
Mr. Cong Yongjian	Beneficial owner	10,750,000	0.20%
Mr. Lam Kai Yeung	Beneficial owner	10,000,000	0.19%
Mr. Liu Chenli	Beneficial owner	29,000,000	0.54%

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.

DISCLOSURE OF ADDITIONAL INFORMATION

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.

DISCLOSURE OF ADDITIONAL INFORMATION

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.

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.

DISCLOSURE OF ADDITIONAL INFORMATION

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 period ended 30 June 2017, no share options were exercised, cancelled or lapsed.

DISCLOSURE OF ADDITIONAL INFORMATION

The following share options were outstanding under the Share Option Scheme of the Company during the period:

	Date of grant	Exercise period	Exercise price	Outstanding as at 1 January 2017 and 30 June 2017
Executive directors				
Leung Chi Fai	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	10,000,000
Li Chongyang	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	10,000,000
Qi Jiao	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	43,600,000
Non-executive directors				
Huang Weidong	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	43,600,000
Liu Chenli	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	29,000,000
Independence non-executive directors				
Cong Yongjian	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	10,000,000
Lam Kai Yeung	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	10,000,000
Substantial shareholders				
Business Century Investments Limited	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	29,000,000
Everun Oil Co., Limited	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	29,000,000
Employees				
in aggregate	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	15,000,000
Consultants				
in aggregate	22 June 2016	22 June 2016– 21 June 2026	HK\$0.1682	87,200,000
				316,400,000

DISCLOSURE OF ADDITIONAL INFORMATION

As at the date of this report, there are 316,640,324 ordinary shares available for issue under the Option Scheme, representing approximately 5.91% of the issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

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

At 30 June 2017, 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	Number of shares or underlying shares held, capacity and nature of interest		
	Directly beneficially owned	Interest in controlled corporation	Approximate percentage of interest held
Business Century Investments Limited (Note 1)	1,072,648,332	–	20.02%
Xie Guilin (Note 1)	9,000,000	1,072,648,332	20.19%
Everun Oil Co., Limited (Note 2)	969,680,000	–	18.10%
Sunteen Capital Holdings Limited	414,478,549	–	7.74%

Notes:

1. Ms. Xie Guilin is the beneficial owner of the entire issued share capital of Business Century Investments Limited.
2. Everun Oil Co., Limited is wholly-owned by Mr. Chen Jingan.

DISCLOSURE OF ADDITIONAL INFORMATION

Save as disclosed above, as at 30 June 2017, 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.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2017, except for the following deviations:

Under 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 and one of the non-executive Directors, Mr. Liu Chenli, are not appointed for specific term. According to the Company’s Bye-Law 108(A), one third of the Directors shall retire from the office by rotation and subject to re-election at the annual general meeting. In the opinion of the Board, this meets the same objective and is no less exacting than those in the Code.

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. The Audit Committee comprises one non-executive Director, Mr. Liu Chenli and the three independent non-executive Directors, Mr. Cong Yongjian, Mr. Lam Kai Yeung (chairman of the Audit Committee) and Dr. Lam Huen Sum. The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

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

DISCLOSURE OF ADDITIONAL INFORMATION

NOMINATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

By order of the Board
Sunway International Holdings Limited
Leung Chi Fai
Executive Director and Company Secretary

Hong Kong, 30 August 2017