

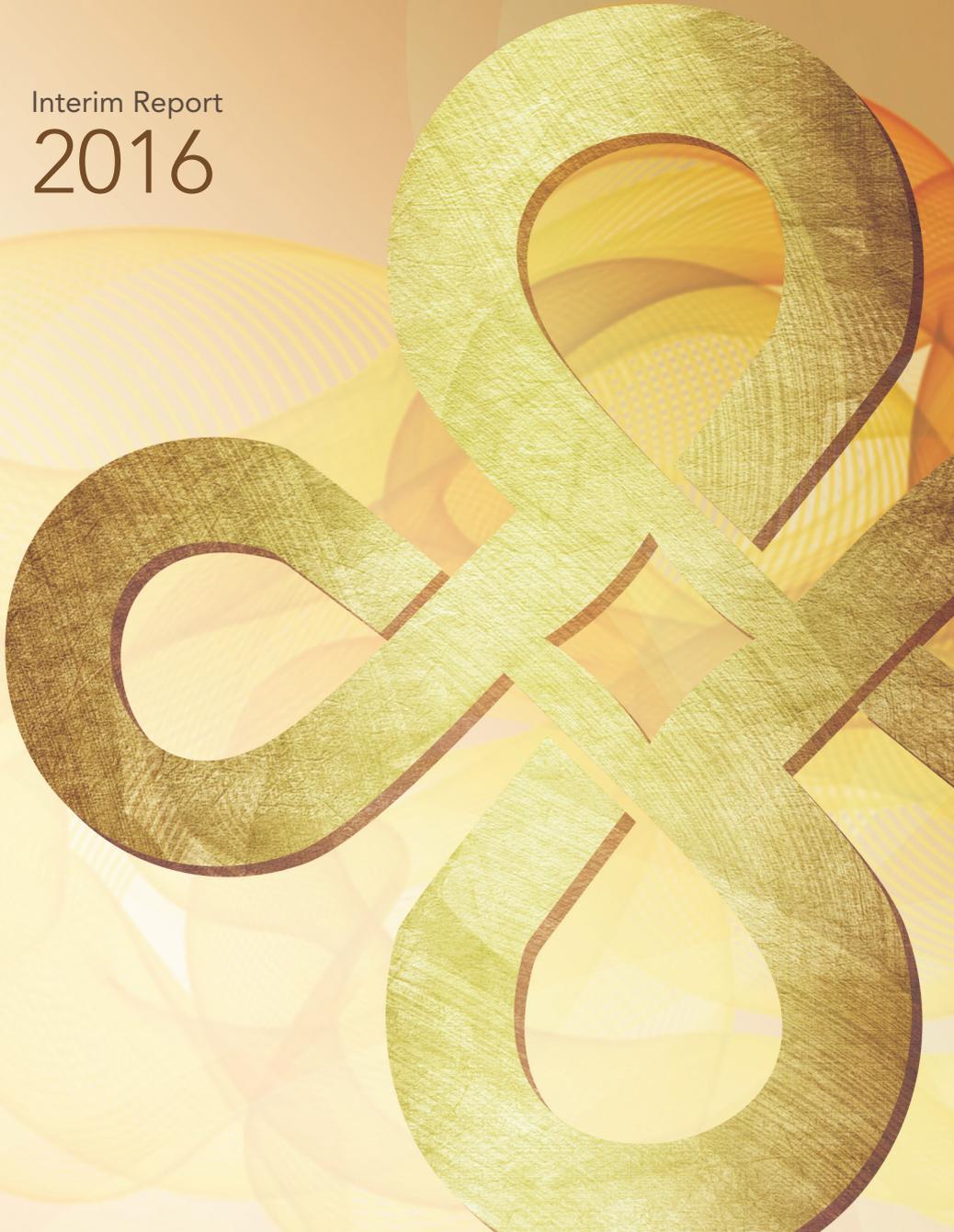


SUNWAY INTERNATIONAL HOLDINGS LIMITED

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

Interim Report

2016



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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Director:

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

#### Independent Non-executive Director:

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

### 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

Moore Stephens CPA Limited  
*Certified Public Accountants*  
905 Slivercord, Tower 2  
30 Canton Road  
Tsim Sha Tsui  
Hong Kong

### AUTHORISED REPRESENTATIVES

Leung Chi Fai  
Li Chongyang

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## CORPORATE INFORMATION

### 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

Codan Services 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 2016

		<b>Six months ended</b>	
		<b>30 June 2016</b>	30 June 2015
Notes		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	<b>124,690</b>	179,552
Cost of sales		<b>(96,447)</b>	(160,340)
Gross profit		<b>28,243</b>	19,212
Other income		<b>1,666</b>	319
Other gains and losses	5	<b>(2,846)</b>	(68,594)
Selling and distribution expenses		<b>(11,200)</b>	(10,697)
Administrative expenses		<b>(62,179)</b>	(12,528)
Other expenses		<b>(310)</b>	(2,450)
Finance costs	6	<b>(1,516)</b>	(7,178)
LOSS BEFORE TAX	7	<b>(48,142)</b>	(81,916)
Income tax expenses	8	<b>(3,184)</b>	(4,982)
Loss for the period from continuing operations		<b>(51,326)</b>	(86,898)
<b>DISCONTINUED OPERATIONS</b>			
Profit for the period from discontinued operations	9	-	484,073
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(51,326)</b>	397,175

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		<b>Six months ended</b>	
		<b>30 June</b>	30 June
		<b>2016</b>	2015
Notes		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<hr/>			
(Loss)/profit for the period attributable to:			
Owners of the Company			
		<b>(54,167)</b>	(86,352)
		–	484,073
<hr/>			
		<b>(54,167)</b>	397,721
		<b>2,841</b>	(546)
<hr/>			
		<b>(51,326)</b>	397,175
<hr/>			
			(Restated)
(Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company for the period			
	11		
		<b>HK(2 cents)</b>	HK(4 cents)
		–	HK23 cents
<hr/>			
		<b>HK(2 cents)</b>	HK19 cents
<hr/>			

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	<b>Six months ended</b>	
	<b>30 June 2016 HK\$'000 (Unaudited)</b>	30 June 2015 HK\$'000 (Unaudited)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(51,326)</b>	397,175
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may be reclassified to consolidated income statement in subsequent periods:		
Changes in fair value of available-for-sale financial assets, net of tax	-	30,279
Reclassification adjustment for gain on disposal of available-for-sale financial assets included in the consolidated income statement, net of tax	-	(2,685)
Exchange differences on translation of foreign operations	<b>(1,989)</b>	477
Reclassification adjustment for exchange fluctuation reserve upon disposal of subsidiaries	-	(249,713)
	<b>(1,989)</b>	(221,642)
Items that will not to be reclassified to consolidated income statement in subsequent periods:		
Revaluation of items of property, plant and equipment, net of tax	-	3,342
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>(1,989)</b>	(218,300)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(53,315)</b>	178,875

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended	
	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Total comprehensive income for the period attributable to:		
Owners of the Company		
– continuing operations	(54,841)	(58,394)
– discontinued operations	–	237,702
	(54,841)	179,308
Non-controlling interests		
– continuing operations	1,526	(433)
	(53,315)	178,875

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	<b>120,173</b>	131,297
Intangible assets		<b>11</b>	33
Prepaid land lease payments		<b>30,907</b>	31,897
Goodwill		<b>84,421</b>	84,421
Available-for-sale financial assets		–	–
Deposits paid for acquisition of subsidiaries		<b>2,000</b>	1,000
Deferred tax assets		<b>6,038</b>	6,148
Total non-current assets		<b>243,550</b>	254,796
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss		–	571
Inventories		<b>13,075</b>	10,991
Trade receivables	13	<b>117,296</b>	124,930
Prepayments, deposits and other receivables	14	<b>59,744</b>	35,356
Restricted bank deposits		<b>448</b>	367
Pledged bank deposits		<b>1,202</b>	1,313
Cash and cash equivalents		<b>208,808</b>	22,802
Total current assets		<b>400,573</b>	196,330
<b>CURRENT LIABILITIES</b>			
Trade and bill payables	15	<b>45,250</b>	44,065
Other payables, accruals and deposit received		<b>45,339</b>	38,777
Amount due to a non-controlling shareholder		<b>506</b>	1,258
Interest-bearing borrowings		<b>24,799</b>	27,164
Tax payable		<b>7,898</b>	6,808
Total current liabilities		<b>123,792</b>	118,072

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>NET CURRENT ASSETS</b>		<b>276,781</b>	78,258
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>520,331</b>	333,054
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>5,845</b>	6,621
Provision for long service payment		<b>36</b>	26
Interest-bearing borrowings		<b>18,089</b>	18,507
Total non-current liabilities		<b>23,970</b>	25,154
<b>NET ASSETS</b>		<b>496,361</b>	307,900
<b>EQUITY</b>			
Share capital	16	<b>43,644</b>	174,576
Convertible notes		<b>54,597</b>	54,597
Reserves		<b>336,441</b>	18,175
Equity attributable to owners of the Company		<b>434,682</b>	247,348
Non-controlling interests		<b>61,679</b>	60,552
<b>TOTAL EQUITY</b>		<b>496,361</b>	307,900

# 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)	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 2016	174,576	54,597	247,287	-	509	-	4,105	(2,742)	5,751	(236,735)	247,348	60,552	307,900
Loss for the period	-	-	-	-	-	-	-	-	-	(54,167)	(54,167)	2,841	(51,326)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(674)	-	-	(674)	(1,315)	(1,989)
Total comprehensive income for the period	-	-	-	-	-	-	-	(674)	-	(54,167)	(54,841)	1,526	(53,315)
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	-	-	-	-	-	39,000	-	-	-	-	39,000	-	39,000
Transfer of PRC statutory reserve	-	-	-	-	-	-	-	-	1,190	(791)	399	(399)	-
Transaction cost attributable to issue of offer shares	-	-	(6,715)	-	-	-	-	-	-	-	(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)	434,682	61,679	496,361

\* These reserve accounts comprise the consolidated reserves of a net credit amount of HK\$336,441,000 (31 December 2015: HK\$18,175,000).

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital HK\$'000 (Unaudited)	Convertible notes HK\$'000 (Unaudited)	Share premium account* HK\$'000 (Unaudited)	Share option reserve* HK\$'000 (Unaudited)	Capital redemption reserve* HK\$'000 (Unaudited)	Contributed surplus* HK\$'000 (Unaudited)	Share premium account* 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)	Available-for- sale investment revaluation reserve* HK\$'000 (Unaudited)	Accumulated losses* HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
As at 1 January 2015	148,480	75,995	191,419	5,711	509	56,471	5,711	18,198	2,667	249,713	15,685	2,667	(787,941)	134,407
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	397,721	397,721
Other comprehensive income for the period:														
Changes in fair value of available-for-sale financial assets, net of tax	-	-	-	-	-	-	-	-	-	-	-	30,279	-	30,279
Reclassification adjustment for gain on disposal of available-for-sale financial assets included in the consolidated income statement, net of tax	-	-	-	-	-	-	-	-	-	-	-	(2,685)	-	(2,685)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	364	-	-	-	364
Reclassification adjustment for exchange fluctuation reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(249,713)	-	-	-	(249,713)
Revaluation of items of property, plant and equipment, net of tax	-	-	-	-	-	-	-	3,342	3,342	-	-	-	-	3,342
Total comprehensive income for the period	-	-	-	-	-	-	-	3,342	3,342	(249,349)	-	27,594	397,721	179,308
Transfer to PRC statutory reserves	-	-	-	-	-	-	-	-	-	-	1,688	-	(956)	482
Redemption of convertible notes	-	(20,988)	-	-	-	-	-	-	-	-	-	-	(14,002)	(35,000)
Exercise of share options	2,650	-	4,140	(2,296)	-	-	-	-	-	-	-	-	-	3,894
Share options lapsed	-	-	-	(3,415)	-	-	-	-	-	-	-	-	3,415	-
Release upon disposal of subsidiaries	-	-	-	-	-	(56,471)	-	(82,411)	-	-	(12,928)	-	(251,810)	-
As at 30 June 2015	145,480	54,997	195,559	-	509	-	-	2,729	30,261	364	4,145	27,594	(149,953)	283,091
														52,571
														395,662

\* These reserve accounts comprise the consolidated reserves of a net credit amount of HK\$83,014,000.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	<b>Six months ended</b>	
	<b>30 June 2016 HK\$'000 (Unaudited)</b>	30 June 2015 HK\$'000 (Unaudited)
Net cash used in operating activities	<b>(12,684)</b>	(83,730)
Net cash (used in)/generated from investing activities	<b>(1,619)</b>	7,196
Net cash generated from financing activities	<b>200,240</b>	67,006
Net increase/(decrease) in cash and cash equivalents	<b>185,937</b>	(9,528)
Cash and cash equivalents at the beginning of the period	<b>22,802</b>	56,901
Effect of foreign exchange rate changes, net	<b>69</b>	(108)
Cash and cash equivalents at the end of the period	<b>208,808</b>	47,265
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>138,808</b>	47,265
Bank deposits with original maturity within three months	<b>70,000</b>	–
Total cash and cash equivalents	<b>208,808</b>	47,265

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 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 steel bar, pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products.

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

## 2. 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 2016 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 2015 (the “Annual Financial Statements 2015”) of the Company, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The accounting policies used in preparation of these financial statements are consistent with those adopted in the Annual Financial Statements 2015, except for adoption of the new and revised HKFRSs (which also include HKASs and Interpretations) which are first effective for the current accounting period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

### 2.2 Application of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current period's condensed consolidated financial statements.

HKAS 1	Disclosure Initiative
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants
HKAS 27 (2011) Amendments	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (2011) Amendments	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to 2012–2014

The adoption of the above new and revised HKFRSs has no material impact on the Group's results and financial position for the current period and prior years have been prepared and presented.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

### 2.3 New and revised HKFRSs not yet adopted

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective in these condensed consolidated financial statements.

		<b>Effective for annual reporting periods beginning on or after</b>
HKAS 7 (Amendments)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendments)	Income Tax	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (2011) Amendments	Sales or contribution of assets between an investor and its associate or joint venture	to be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

### 2.3 New and revised HKFRSs not yet adopted *(continued)*

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the condensed consolidated financial statements of the Group except for the following:

#### **HKFRS 9 Financial Instruments**

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The group expects to adopt HKFRS 9 from 1 January 2018. The group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

#### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 3. OPERATING SEGMENT INFORMATION

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

### Continuing operations

- (a) the pre-stressed ("PC") steel bars segment consists of the manufacture and sale of PC steel bars;
- (b) the pre-stressed high-strength concrete ("PHC") piles and others segment consists of the manufacture and sale of PHC piles, ready mixed concrete, sand-lime bricks, aerated concrete products and eco- concrete products;

### Discontinued operations

- (c) the electronic components and parts segment consists of the design, development, manufacture and sale of electronic components and parts; and
- (d) the consumer electronic products segment consists of the design, development, manufacture and sale of 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 and other interest income, other income, other gains and losses, finance costs are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 3. OPERATING SEGMENT INFORMATION (continued)

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

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

For the six months ended 30 June 2016	Continuing operations			Discontinued operations			
	PC steel bar	PHC piles and others	Sub-total	Electronic components and parts	Consumer electronic products	Sub-total	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Segment revenue</b>							
Revenue from external customers	-	124,690	124,690	-	-	-	124,690
Reportable segment (loss)/ profit from operations	(2,590)	12,403	9,813	-	-	-	9,813
Reconciliation:							
Bank and other interest income			32			-	32
Other income, other gains and losses, net			(2,762)			-	(2,762)
Finance costs			(1,516)			-	(1,516)
Unallocated head office and corporate expenses			(53,709)			-	(53,709)
<b>Loss before tax</b>			(48,142)			-	(48,142)
Other segment information:							
Capital expenditure#	-	(1,813)	(1,813)	-	-	-	(1,813)
Depreciation	(535)	(9,216)	(9,751)	-	-	-	(9,751)
Amortisation of prepaid land lease payments	(127)	(284)	(411)	-	-	-	(411)
Amortisation of intangible assets	-	(22)	(22)	-	-	-	(22)
Provision for impairment of trade receivables, net	(85)	-	(85)	-	-	-	(85)
<b>As at 30 June 2016</b>							
<b>Segment assets</b>	26,742	310,279	337,021	-	-	-	337,021
<b>Segment liabilities</b>	25,582	65,498	91,080	-	-	-	91,080

# Capital expenditure consists of additions to property, plant and equipment

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 3. OPERATING SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2015	Continuing operations			Electronic components and parts	Discontinued operations		Total HK\$'000 (Restated)
	PC steel bar HK\$'000 (Unaudited)	PHC piles and others HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	HK\$'000 (Restated)	Consumer electronic products HK\$'000 (Restated)	Sub-total HK\$'000 (Restated)	
<b>Segment revenue</b>							
Revenue	15,429	165,797	181,226	27,736	28,551	56,287	237,513
Elimination	(1,674)	-	(1,674)	-	-	-	(1,674)
Revenue from external customers	13,755	165,797	179,552	27,736	28,551	56,287	235,839
Reportable segment (loss)/ profit from operations	(72,649)	16,904	(55,745)	(9,975)	(8,183)	(18,158)	(73,903)
Reconciliation:							
Bank and other interest income			297			1	298
Other income, other gains and losses, net			(14,381)			2,570	(11,811)
Finance costs			(7,178)			(1,840)	(9,018)
Unallocated head office and corporate expenses			(4,909)			(5)	(4,914)
<b>Loss before tax</b>			(81,916)			(17,432)	(99,348)
Other segment information:							
Capital expenditure#	(19)	(24)	(43)	(663)	(501)	(1,164)	(1,207)
Depreciation	(1,301)	(8,962)	(10,263)	(3,148)	(2,356)	(5,504)	(15,767)
Amortisation of prepaid land lease payments	(135)	(302)	(437)	(101)	(70)	(171)	(608)
Amortisation of intangible assets	-	(23)	(23)	-	-	-	(23)
Write down of inventories to net realisable value	-	-	-	(596)	-	(596)	(596)
Provision for impairment of trade receivables, net	(4,475)	(6,044)	(10,519)	(536)	(447)	(983)	(11,502)
Write off of trade receivables	-	-	-	(245)	(186)	(431)	(431)
Provision for impairment of other receivables	(43,672)	-	(43,672)	-	-	-	(43,672)
As at 31 December 2015							
Segment assets	19,325	311,294	330,619	-	-	-	330,619
Segment liabilities	27,603	55,055	82,658	-	-	-	82,658

# Capital expenditure consists of additions to property, plant and equipment

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 3. OPERATING SEGMENT INFORMATION (continued)

### (b) Reconciliation of reportable assets and liabilities

	30 June 2016			31 December 2015		
	Continuing operations HK\$'000 (Unaudited)	Discontinued operations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Continuing operations HK\$'000 (Audited)	Discontinued operations HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Assets</b>						
Total reportable segment assets	337,021	-	337,021	330,619	-	330,619
Cash and cash equivalents			208,808			22,802
Deferred tax assets			6,038			6,148
Financial assets at fair value through profit or loss			-			571
Goodwill			84,421			84,421
Pledged bank deposits			1,202			1,313
Restricted bank deposits			448			367
Unallocated head office and corporate assets			6,185			4,885
Consolidated total assets			644,123			451,126
<b>Liabilities</b>						
Total reportable segment liabilities	91,080	-	91,080	82,658	-	82,658
Deferred tax liabilities			5,845			6,621
Interest-bearing borrowings			42,888			45,671
Tax payable			7,898			6,808
Unallocated head office and corporate liabilities			51			1,468
Consolidated total liabilities			147,762			143,226

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 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.

	Continuing operations		Discontinued operations	
	Six months ended		Six months ended	
	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Restated)
Hong Kong	-	-	-	670
The PRC	124,690	179,552	-	43,123
Other Asian countries*	-	-	-	1,973
American countries**	-	-	-	9,519
European countries***	-	-	-	310
African countries****	-	-	-	692
Consolidated	124,690	179,552	-	56,287

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

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

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

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

The Group's non-current assets are located in the PRC, including Hong Kong.

### (d) Information about major customers

For the six months ended 30 June 2016, 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\$21,247,000. For the six months ended 30 June 2015, no customer has contributed 10% or more of the Group's total revenue.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 4. REVENUE

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

### 5. OTHER GAINS AND LOSSES

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

	<b>Six months ended</b>	
	<b>30 June 2016 HK\$'000 (Unaudited)</b>	30 June 2015 HK\$'000 (Unaudited)
Exchange difference	<b>(2,713)</b>	(3)
Net gain rising on disposal of available-for-sale financial assets	-	2,685
Net loss arising of financial asset designated as at fair value through profit or loss	<b>(48)</b>	-
Gain on extinguishment of promissory note	-	2,490
Loss on extinguishment of other payable	-	(19,575)
Provision for impairment loss of other receivables	-	(43,672)
Provision for impairment loss of trade receivables	<b>(85)</b>	(10,519)
	<b>(2,846)</b>	(68,594)

### 6. FINANCE COSTS

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

	<b>Six months ended</b>	
	<b>30 June 2016 HK\$'000 (Unaudited)</b>	30 June 2015 HK\$'000 (Unaudited)
Interest on interest-bearing borrowings	<b>1,516</b>	4,911
Imputed interest expenses on other payable	-	1,336
Imputed interest expenses on promissory note	-	931
	<b>1,516</b>	7,178

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 7. LOSS BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 June 2016 HK\$'000 (Unaudited)</b>	30 June 2015 HK\$'000 (Unaudited)
Amortisation of prepaid land lease payments*	<b>411</b>	437
Amortisation of intangible asset <sup>#</sup>	<b>22</b>	23
Depreciation	<b>9,938</b>	10,263
Cost of inventories sold*	<b>74,320</b>	148,270
Minimum lease payments under operating leases in respect of land and buildings <sup>#</sup>	<b>2,109</b>	30
Employee benefit expenses (including directors' remuneration):		
Salaries, wages and other benefits	<b>14,125</b>	13,709
Pension scheme contributions <sup>^</sup>	<b>678</b>	930
Provision for/(reversal of provision for) long service payment, net <sup>#</sup>	<b>10</b>	(186)
Equity-settled share option expenses <sup>#</sup>	<b>39,000</b>	-
	<b>53,813</b>	14,453

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

<sup>#</sup> These items are included in "administrative expenses" in the condensed consolidated income statement.

<sup>^</sup> As at 30 June 2016, the Group had no forfeited contribution available reduce its contributions to pension scheme in future years (31 December 2015: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 8. INCOME TAX EXPENSES

No provision for Hong Kong profits tax had been made during the period (six months ended 30 June 2015: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Subsidiaries established in the PRC are subject to the PRC enterprise income tax at the standard rate of 25% (six months ended 30 June 2015: 25%).

	Six months ended	
	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Current tax — PRC Enterprises Income Tax		
— Current tax for the period	3,967	6,461
— Under-provision in prior years	—	327
	<b>3,967</b>	6,788
Deferred tax	<b>(783)</b>	(1,806)
	<b>3,184</b>	4,982

## 9. 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 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”) at a consideration of HK\$180,000,000. On 15 December 2014, the Group and the Purchaser have agreed to enter into the supplemental agreement to increase the consideration to HK\$300,000,000. The Disposal Group was engaged in the design, development, manufacture and sale of a wide range of electronics and related components and parts and consumer electronic products in the PRC. The disposal of the Disposal Group was completed on 30 January 2015. As at 31 December 2014, the Disposal Group were classified as a disposal group held-for-sale whereas the financial performance of the Disposal Group, and thereafter were presented as discontinued operations.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 9. DISCONTINUED OPERATIONS *(continued)*

- (a) Analysis of the result of discontinued operations and net cash flows of the Disposal Group are as follows:

	Six months ended	
	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Restated)
Revenue	–	56,287
Expenses	–	(73,719)
Loss before tax	–	(17,432)
Income tax expense	–	(756)
Loss after tax	–	(18,188)
Gain on disposal	–	502,261
Profit for the period from discontinued operations	–	484,073
Operating cash outflow	–	(85,968)
Investing cash inflow	–	389
Financing cash inflow	–	66,330
Net cash outflow	–	(19,249)

Comparative figures have been restated to conform with the presentation of the Annual Report 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 9. DISCONTINUED OPERATIONS *(continued)*

(b) Analysis of assets and liabilities at the date of disposal is as follows:

	<b>(Restated)</b> <b>HK\$'000</b>
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)
Due to a director	(72,050)
Due to the Group's companies	(363,973)
Interest-bearing bank borrowings	(522,804)
Tax payable	(26,437)
Deferred tax liabilities	(63,231)
Provision for long service payment	(424)
	<hr/>
Net liabilities disposed of	(316,521)
	<hr/>
Gain on disposal of subsidiaries:	HK\$'000
	<hr/>
Total consideration satisfied by cash	300,000
Net liabilities disposed of	316,521
Waiver of receivables from the Disposal Group	(363,973)
Release of exchange fluctuation reserve	249,713
	<hr/>
	502,261
	<hr/>
Net cash inflow arising on disposal:	HK\$'000
	<hr/>
Cash consideration	300,000
Less: Bank balances and cash disposed of	(28,983)
	<hr/>
	271,017
	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 10. 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 2015: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 June 2016</b>	30 June 2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/profit:</b>		
(Loss)/profit for the period attributable to owners of the Company used in the basic (loss)/earnings per share calculation		
— continuing operations	<b>(51,326)</b>	(86,898)
— discontinued operations	-	484,073
	<b>(51,326)</b>	397,175
	<b>'000</b>	'000 (Restated)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basis (loss)/earning per share	<b>2,998,417</b>	2,057,800

For the six months ended 30 June 2016 and 30 June 2015, no adjustment has been made to the basic (loss)/earnings 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)/earnings per share from continuing operations.

Basic (loss)/earnings per share for the six months ended 30 June 2016 and 30 June 2015 have been adjusted to reflect the issue of shares by way of open offer during the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired the property, plant and equipment of approximately HK\$9,938,000 (30 June 2015: HK\$164,000).

## 13. TRADE RECEIVABLES

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Trade receivables, gross	<b>149,513</b>	157,808
Less: provision for impairment	<b>(32,217)</b>	(32,878)
Trade receivables, net	<b>117,296</b>	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 for a period of one to three (31 December 2015: one to three) months from the date of billing, except for certain well-established customers, where the terms are extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk. Trade receivables are non-interest bearing.

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:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Within 3 months	<b>55,593</b>	56,028
4 to 6 months	<b>23,589</b>	30,398
Over 6 months	<b>38,114</b>	38,504
	<b>117,296</b>	124,930

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 13. TRADE RECEIVABLES *(continued)*

### (b) Impairment of trade receivables

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

	<b>Six months ended 30 June 2016 HK\$'000 (Unaudited)</b>
Balance at beginning of the period	<b>32,878</b>
Impairment losses recognised	<b>85</b>
Exchange realignment	<b>(746)</b>
Balance at end of the period	<b>32,217</b>

### (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:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Neither past due nor impaired	<b>33,404</b>	20,974
Within 3 months past due	<b>36,596</b>	45,420
4 to 6 months past due	<b>9,183</b>	22,911
Over 6 months past due	<b>38,113</b>	35,625
	<b>117,296</b>	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 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 2016

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Prepayments	<b>95,061</b>	86,997
Deposit paid	<b>2,204</b>	2,222
Other receivables	<b>35,013</b>	20,349
Less: Provision for impairment loss	<b>(72,534)</b>	(74,212)
	<b>59,744</b>	35,356

## 15. TRADE AND BILL PAYABLES

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Trade payables	<b>39,266</b>	37,517
Bill payables	<b>5,984</b>	6,548
	<b>45,250</b>	44,065

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

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Within 3 months	<b>19,716</b>	15,949
4 to 6 months	<b>8,051</b>	9,985
7 to 12 months	<b>8,297</b>	7,249
Over 1 year	<b>3,202</b>	4,334
	<b>39,266</b>	37,517

The trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 days (31 December 2015: 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 2016

## 16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
<b>Authorised:</b>		
As at 1 January 2016, ordinary shares of HK\$0.10 each	10,000,000,000	1,000,000
Capital reorganisation (Note (a))	90,000,000,000	–
As at 30 June 2016, ordinary shares of HK\$0.01 each	100,000,000,000	1,000,000
<b>Issued and fully paid:</b>		
As at 1 January 2016, ordinary shares of HK\$0.10 each	1,745,761,299	174,576
Capital reorganisation (Note (a))	–	(157,118)
Issue of offer shares (Note (b))	2,618,641,947	26,186
As at 30 June 2016, ordinary shares of HK\$0.01 each	4,364,403,246	43,644

Notes:

- (a) 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.
- (b) 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 17. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties, save as disclosed elsewhere in the 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.

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Amount due to a non-controlling shareholder of a subsidiary	<b>506</b>	1,258

### (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:

	<b>Six months ended</b>	
	<b>30 June 2016 HK\$'000 (Unaudited)</b>	30 June 2015 HK\$'000 (Unaudited)
Fees	<b>240</b>	374
Salaries and allowances	<b>1,644</b>	2,093
Reversal of long service payment	<b>(2)</b>	(186)
Pension scheme contributions	<b>36</b>	26
Equity-settled share-based payments	<b>22,567</b>	–
	<b>24,485</b>	2,307

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 17. RELATED PARTY TRANSACTIONS *(continued)*

### (c) Guarantees provided by related parties

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Guarantees of interest-bearing borrowings provided by:		
Directors and shareholders of a subsidiary	<b>42,888</b>	45,671
A related company of a subsidiary	<b>42,888</b>	45,671
A non-controlling shareholder of a subsidiary	<b>42,888</b>	45,671

## 18. 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 2015: one to three) years.

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

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Within one year	<b>4,482</b>	4,548
In the second to fifth year, inclusive	<b>4,236</b>	6,410
	<b>8,718</b>	10,958

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

## 19. COMMITMENTS

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

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Contracted, but not provided for:		
Acquisition of subsidiaries	<b>15,436</b>	4,000

## 20. EVENT AFTER THE REPORTING PERIOD

The acquisition of Ark One Limited, 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") was completed on 7 July 2016 at consideration of HK\$5,136,121.54.

The acquisition of Grand Silver Securities Limited, a company principally engaged in Type 1 (dealing in securities) regulated activity under the SFO was completed on 19 July 2016 at consideration of HK\$11,458,619.09.

After completion of the acquisitions, the Group is also engaged in Type 9 (asset management) and Type 1 (dealing in securities) regulated activities under the SFO.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF RESULTS AND OPERATION

### CONTINUING OPERATIONS

Continuing operations of the Company 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").

#### 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 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 Business represented sales of pre-stressed high strength concrete pile, ready-mixed concrete and bricks which contributed approximately 29%, 54% and 17%, (last period: approximately 20%, 67% and 13%) respectively to the revenue of PHC Pile and Others Business. Revenue from the continuing operations for the six months ended 30 June 2016 (the "FP2016") was solely generated by the PHC Pile and Others Business.

Revenue from external customers for FP2016 was HK\$124,690,000 compared with HK\$165,797,000 reported in the last period, which decreased by approximately 25%. The decrease in revenue for the period was mainly attributable to the drop in sales of ready-mixed concrete.

The operations of the PHC Pile and Others Business for FP2016 remained profitable. The segment profit for FP2016 was HK\$12,403,000 as compared with HK\$16,904,000 reported last period, 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"). Zhuhai Factory has been suspended since 1 January 2016.

PC Steel Bar Business did not generate revenue during FP2016. Expenses incurred during the period were mainly staff costs and utilities for the Zhuhai Factory. Segment loss for FP2016 was HK\$2,590,000 as compared with HK\$72,649,000 reported last period.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Other gains and losses, net

Other gains and losses, net for FP2016 consisted of exchange difference of HK\$2,713,000, provision for impairment of trade receivables of HK\$85,000 and net loss arising on financial asset designated as at fair value through profit and loss of HK\$48,000.

### Other expenses

Other expenses for FP2016 represented late penalty charges to suppliers and the PRC government levies of HK\$310,000.

### Selling and distribution expenses

Selling and distribution expenses for FP2016 mainly comprised of transportation costs of HK\$9,983,000 and salaries for the sale-persons of HK\$958,000.

### Administrative expenses

Administrative expenses for FP2016 mainly comprised of equity-settled share option expense of HK\$39,000,000, salaries and other benefits (including directors' remuneration) of HK\$6,276,000 and legal and professional fees of HK\$4,287,000. The increase in administrative expenses was mainly attributable to the equity-settled share options expenses arising from the granting of share options and the business development expenses for the Group's new business during the period.

### Finance costs

Finance costs for FP2016 were interest expenses for the bank borrowings of HK\$1,516,000. These decreased in line with the 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 6, 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 period.

### 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 2016, the total shareholders' equity of the Group was HK\$496,361,000, representing an increase of approximately 61% over last period. As at 30 June 2016, the Group's cash and cash equivalents and pledged time deposits stood at HK\$210,010,000 whereas interest-bearing borrowings were HK\$42,888,000. 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 30% as at 30 June 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

### SIGNIFICANT INVESTMENTS AND ACQUISITIONS

A sale and purchase agreement dated 4 March 2016 was entered into between Lucky Digit Holdings Limited, a wholly owned subsidiary of the Company, as the purchaser and Mr. Chan Hung Ming as the vendor in relation to the sale and purchase of the entire issued share capital of Grand Silver Securities Limited (“Grand Sliver”) at a consideration of HK\$6,800,000 plus the net assets value of the Grand Sliver as at 31 January 2016 as shown in the management accounts (the “Management Accounts”) of Grand Sliver subject to completion accounts (after deducting the amount outstanding and owned by Mr. Chan Hung Ming to Grand Sliver as disclosed in the Management Accounts or in the completion accounts of Grand Sliver, whichever is higher). Grand Sliver is a company principally engaged in Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). The said acquisition has been completed on 19 July 2016. Total consideration paid was HK\$11,458,619.09.

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

### CAPITAL STRUCTURE

#### Convertible notes

As at 30 June 2016, the Company had convertible notes with principal amount of HK\$130,000,000 which entitling the noteholders thereof to convert into 433,333,333 Shares. Based on the opinions obtained from the legal adviser of the Company, in view of the ongoing legal proceedings mentioned under the paragraph headed “Legal Proceedings” and, according to the monthly returns of the Company since the beginning of January 2016, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares.

#### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Open Offer

On 27 May 2016, the Company issued 2,618,641,947 ordinary shares as a result of the open offer (the "Open Offer") as disclosed in the Company's announcement dated 26 May 2016. The Company raised approximately HK\$209,491,000 (before the expenses in connection with the Open Offer) from the Open Offer.

The Board intended to utilise the net proceeds of approximately HK\$202,750,000 from the Open Offer as to (i) approximately HK\$72,800,000 for the development of financial service businesses; (ii) approximately HK\$60,000,000 for the development of the car businesses in relation to the possible acquisition of the car businesses (including car rental, car finance and investment, car sale, car repair and car insurance) in PRC as announced by the Company on 24 February 2016 (the "Proceeds for the Possible Acquisition of Car Business"); and (iii) approximately HK\$69,950,000 for general working capital of the existing businesses of the Group.

Upon the abandonment of negotiations in respect of the Possible Acquisition of Car Business as announced on 21 June 2016, the Board will reallocate the Proceeds for the Possible Acquisition of Car Business to the development of the financial service businesses.

Upon the completion of the Open Offer and as at 30 June 2016, the issued shares of the Company was 4,364,403,246 ordinary shares of HK\$0.01 each.

### Share options

In accordance with the share options scheme approved and adopted by the Company on 17 June 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. As at 30 June 2016, the number of shares in respect of which options had been granted and exercisable was 436,200,000. No share options was lapsed or exercised during the period.

### PLEDGE OF ASSETS

The Group's certain leasehold land and buildings of HK\$53,292,000, certain prepaid land lease payments of HK\$24,717,000, certain plant and machinery of HK\$9,019,000, and bank deposits of HK\$1,202,000, are used to secure banking facilities for the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 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.

### FOREIGN EXCHANGE EXPOSURE

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 2016, the Group has contracted commitments of HK\$15,436,000 for acquisition of subsidiaries (31 December 2015: HK\$4,000,000).

### CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, the Company does not have any material contingent liabilities.

### EVENT AFTER THE REPORTING PERIOD

The acquisition of Ark One Limited (the "Ark One"), a company principally engaged in Type 9 (asset management) regulated activity under 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\$5,136,121.54. In addition, as disclosed in the paragraph headed "Significant Investments and Acquisitions", the acquisition of Grand Sliver were completed on 19 July 2016.

After the completion of acquisition of Ark One and Grand Silver, the Group is also engaged in Type 9 (asset management) and Type 1 (dealing in securities) regulated activities under the SFO.

Save as disclosed above, there are no other material events subsequent to the six months ended 30 June 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECT

In addition to the existing Construction Materials Business, the Group obtained the money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in February 2016 and commenced money lending business in July 2016.

Following the completion of acquisition of Ark One and Grand Silver in July 2016, the Group is also engaged in Type 9 (asset management) and Type 1 (dealing in securities) regulated activities under the SFO.

The Directors are optimistic on the growth opportunities in the financial services industry given the increasing demand for financial services in Hong Kong. In addition, with the increasing cooperation between the stock markets in Hong Kong and the PRC such as the launch of the Shenzhen-Hong Kong Stock Connect, Hong Kong's securities market, in particular, licensed corporation which is carrying on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO, is expected to benefit from this in which more capital will flow into the securities market of Hong Kong which in turn drive the demand for the financial services.

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

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

### LEGAL PROCEEDINGS

As at the date of this report, the Group has been involved in the following outstanding legal proceedings:

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

- (a) Reference are made to final results announcement of the Company for the year ended 31 December 2015 (the "Final Results 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 Logistic Development Co., Ltd\*, "Zhuhai Port"), 廣州市壹弘運輸有限公司 (Guangdong Yihong Transportation Co., Ltd\*, "Guangdong Yihong") and 佛山市南海信通物資有限公司 (Foshan Nanhai Xintong Materials Co., Ltd\*, "Foshan Nanhai") totally amounting to RMB1,098,667.10, RMB2,295,538.48 and RMB1,564,242.70, respectively, in accordance with the rulings issued by the courts in the PRC. Settlement agreements were reached between Zhuhai Hoston and each of Zhuhai Port, Guangdong Yihong and Foshan Nanhai, Zhuhai Hoston agreed to pay the abovesaid outstanding amounts by monthly installments up to 30 September 2016, 31 January 2017 and 30 October 2016, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (b) Reference are made to the Annual Report 2015 and Final Results 2015, Zhuhai Hoston was ordered to pay the outstanding principal 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 ruling issued by Zhuhai Xiangzhou People's Court in the PRC dated 26 March 2016.

According to the ruling dated 13 July 2016, 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was frozen up to 3 years. The Company is looking into the matter with the management of Zhuhai Hoston in relation to the ruling.

- (c) On 3 February 2016, an action was initiated by Ms. Liu Qian (劉倩) ("Ms. Liu") against the Company as the defendant in the High Court of Hong Kong. Ms. Liu claims as the owner of certain convertible notes transferred by Mr. Xiao Guang Kevin to her ("Ms. Liu's Notes"), among other things: (i) HK\$25,000,000, being the difference between the market value of the ordinary shares to be allotted and issued by the Company upon exercise of the conversion rights attaching to Ms. Liu's Notes and the face value (based on the conversion price) of Ms. Liu's Notes had the Company converted Ms. Liu's Notes pursuant to the Ms. Liu's request; and (ii) HK\$15,000,000, being the value of Ms. Liu's Notes beneficially owned by Ms. Liu.

However, as Ms. Liu's Notes are the subject matter in the 23 June 2015 Legal Proceedings (defined in below), the Company believes it has grounds not to accede to the Ms. Liu's requests pending the determination of the 23 June 2015 Legal Proceedings. As at the date of this report, the case is still under the litigation procedures and no conclusion has been reached.

### The Company or its subsidiary as the plaintiff

- (d) 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 the Company and First Billion Global Limited, its wholly-owned subsidiary (collectively, the "Plaintiffs") against Mr. Xiao Guang Kevin (蕭光) ("Mr. Xiao") and 王志寧 (Mr. Wang Zhining\*), the vendor and the guarantor 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, (collectively, the "Defendants"), 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 under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao (the "Notes"). 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 to the financial performance and trading position of the Group. As at the date of this report, the case is still under the litigation procedures and no conclusion has been reached.



## MANAGEMENT DISCUSSION AND ANALYSIS

- (e) On 30 July 2015, Zhuhai Hoston had filed a report to Zhuhai Public Security Bureau (the “Bureau”) against the former directors (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.
- (f) On 20 February 2016, the Group filed a lawsuit in Zhuhai Xiangzhou People’s Court against the Former Directors to demand immediate repayment of an amount of RMB11,500,000 and the late penalty charges of RMB181,393 together with the late penalty charge calculated by using the rate of 7.28% per annum from 21 February 2016 to the date of payment. According to the ruling from the Zhuhai Xiangzhou People’s Court dated 12 June 2016, the Former Directors were not liable to pay the abovesaid amount and the Group bore the legal costs of RMB96,888.
- (g) On 29 February 2016, Zhuhai Hoston filed a lawsuit in Zhuhai Xiangzhou People’s Court against the Former Directors and their controlled company (the “Controlled Company”) regarding the prepayment to a supplier of Zhuhai Hoston of RMB4,840,000 for the purchase of machineries. The amount was subsequently transferred to the Controlled Company based on the instruction of the Former Directors to the supplier. According to ruling from the Zhuhai Xiangzhou People’s Court dated 30 May 2016, this case has been suspended and pending for the investigation result of the Reported Case as this prepayment to the supplier is part of the subject matter of the Reported Case.

### **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 EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests of the Directors and chief executives 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 and share options of the Company:

Name of Director	Number of shares held	Percentage of	Number of	Percentage of
		issued share capital (Note (a))	share options held (Note (b))	issued share capital (Note (a))
Huang Weidong	–	–	43,600,000	1.00%
Leung Chi Fai	4,240,000	0.10%	43,600,000	1.00%
Li Chongyang	12,500,000	0.29%	43,600,000	1.00%
Qi Jiao	–	–	43,600,000	1.00%
Cong Yongjian	750,000	0.02%	10,000,000	0.23%
Lam Kai Yeung	–	–	10,000,000	0.23%
Liu Chenli	–	–	29,000,000	0.66%

Notes:

- Percentage of issued share capital is calculated based on the number of ordinary shares of the Company in issue as at 30 June 2016 and is subject to rounding.
- Details of share options are disclosed in the paragraph headed "Share Option Scheme".

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 scheme 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 and notified to a participant at the time the grant of the Option(s) (subject to any adjustments made pursuant to Clause 9) 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 (5) 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. None of the options were exercised, lapsed and cancelled during the period.

## DISCLOSURE OF ADDITIONAL INFORMATION

Movements of the Company's share options under the Option Scheme held by the grantees during the period are as follows:

<b>Grantee</b>	<b>Outstanding as at 1 January 2016</b>	<b>Grant during the period</b>	<b>Outstanding as at 30 June 2016</b>	<b>Percentage of issued share capital</b>
<b>Executive Director</b>				
Huang Weidong	–	43,600,000	43,600,000	1.00%
Leung Chi Fai	–	43,600,000	43,600,000	1.00%
Li Chongyang	–	43,600,000	43,600,000	1.00%
Qi Jiao	–	43,600,000	43,600,000	1.00%
<b>Independent non-executive Director</b>				
Cong Yongjian	–	10,000,000	10,000,000	0.23%
Lam Kai Yeung	–	10,000,000	10,000,000	0.23%
Liu Chenli	–	29,000,000	29,000,000	0.66%
<b>Substantial Shareholder</b>				
Business Century Investments Limited	–	29,000,000	29,000,000	0.66%
Everun Oil Co., Limited	–	29,000,000	29,000,000	0.66%
Employees	–	38,600,000	38,600,000	0.88%
Consultants	–	87,200,000	87,200,000	2.00%
<b>Other</b>				
Deng Chunmei (Note)	–	29,000,000	29,000,000	0.66%
	–	436,200,000	436,200,000	9.99%

All the above options granted are exercisable as at 30 June 2016.

Note:

- (a) Deng Chunmei resigned as independent non-executive Director on 30 June 2016 and all of 29,000,000 options were exercised by Deng Chunmei on 4 August 2016.

## DISCLOSURE OF ADDITIONAL INFORMATION

The share options were granted on 22 June 2016. The closing price of the Company's shares immediately before the date of grant of the options was HK\$0.1670. 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 values of the shares under options at the date of grant ranged from HK\$0.073 to HK\$0.091 per share. These fair values were calculated using the Binomial Option Pricing Model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

### Inputs into the model

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 estimate 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 2016, the Group recognised equity-settled share option expense of HK\$39,000,000 (30 June 2015: Nil) in relation to the share options granted by the Company.

As at the date of this report, there are 407,440,326 ordinary shares available for issue under the Option Scheme, representing approximately 9.27% 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.

## DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 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 and share options of the Company:

Name of shareholder	Capacity	Number of shares held	Percentage of	Number of	Percentage of
			issued share capital (Note (a))	share options held (Note (b))	issued share capital (Note (a))
Business Century Investments Limited (Note (c))	Beneficial owner	731,308,331	16.76%	29,000,000	0.66%
Everun Oil Co., Limited	Beneficial owner	868,400,000	19.90%	29,000,000	0.66%
Ms. Xie Guilin (Note (c))	Interest in controlled corporation	731,308,331	16.76%	29,000,000	0.66%
Sunteen Capital Holdings Limited	Beneficial owner	334,713,549	7.67%	-	-

Notes:

- (a) Percentage of issued share capital is calculated based on the number of ordinary shares of the Company in issue as at 30 June 2016 and is subject to rounding.
- (b) Details of share options are disclosed in the paragraph headed "Share Option Scheme".
- (c) Ms. Xie Guilin is the beneficial owner of the entire issued share capital of Business Century Investments Limited.
- (d) Reference are made to the announcements of the Company dated 23 June 2015, 26 October 2015 and 5 February 2016, in respect of the convertible notes issued by the company. As advised by the legal advisers to the Company, as far as the company is concerned, all remaining convertible notes have become void and are not capable of converting into ordinary shares of the Company.

Save as disclosed above, as at 30 June 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.

## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **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 2016, except for the following deviation:

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 are not appointed for specific term. According to the Company’s Bye-Law 108(A), at each annual general meeting, not less than one-third of the Directors shall retire from the office by rotation, provided that every Director shall be subject to retirement at least once every three years. In the opinion of the Board, this meets the same objective and is no less exacting than those in the Code.

### **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. The Audit Committee comprised all three independent non-executive Directors of the company, namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Mr. Liu Chenli. The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2016 have been reviewed by the Audit Committee.

### **REMUNERATION COMMITTEE**

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

### **NOMINATION COMMITTEE**

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



## DISCLOSURE OF ADDITIONAL INFORMATION

### 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**  
**Huang Weidong**  
*Chairman*

Hong Kong, 31 August 2016