SUNWAY INTERNATIONAL HOLDINGS LIMITED
新威國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 58)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- Revenue for the year ended 31 December 2017 was HK$315,515,000, compared with HK$245,627,000 last year, representing an increase of HK$69,888,000.
- Gross profit for the year ended 31 December 2017 was HK$84,286,000, compared with HK$57,198,000 last year, representing an increase of HK$27,088,000.
- Loss attributable to owners of the Company was HK$7,784,000, compared with HK$183,049,000 last year, representing a decrease of HK$175,265,000.
- Loss per share attributable to owners of the Company amounted to HK0.15 cents, compared with HK4.99 cents last year, decreased by HK4.84 cents.
- No final dividend was proposed for the year ended 31 December 2017 (2016: Nil).

* *For identification purposes only*

The Board of Directors (the "Board") of Sunway International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017, together with the comparative amounts for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
REVENUE		**315,515**	245,627
Cost of sales		**(231,229)**	(188,429)
Gross profit		**84,286**	57,198
Other income		**661**	3,150
Other gains/(losses), net	*4*	**3,377**	(98,033)
Selling and distribution expenses		**(32,200)**	(22,451)
Administrative expenses		**(53,613)**	(90,285)
Other expenses		**(3,360)**	(25,776)
Finance costs		**(2,978)**	(2,874)
LOSS BEFORE TAX	*5*	**(3,827)**	(179,071)
Income tax expense	*6*	**(539)**	(1,541)
LOSS FOR THE YEAR		**(4,366)**	(180,612)
Loss for the year attributable to:			
Owners of the Company		**(7,784)**	(183,049)
Non-controlling interests		**3,418**	2,437
		(4,366)	(180,612)
Loss per share			
Basic and diluted	*8*	**HK(0.15 cents)**	HK(4.99 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(4,366)**	(180,612)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**6,442**	(4,573)
Items that will not be reclassified to profit or loss:		
Revaluation of items of property, plant and equipment	**9,956**	8,380
Tax effect of revaluation of items of property, plant and equipment	**(2,489)**	(2,095)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**13,909**	1,712
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**9,543**	(178,900)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**(1,490)**	(180,569)
Non-controlling interests	**11,033**	1,669
	9,543	(178,900)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**107,588**	106,957
Intangible assets		**11,786**	11,786
Prepaid land lease payments		**23,982**	23,064
Goodwill		**20,982**	20,982
Deferred tax assets		**14,056**	8,402
		178,394	171,191
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**9,397**	–
Inventories		**11,579**	13,634
Trade and bill receivables	9	**229,923**	212,396
Prepayments, deposits and other receivables	10	**215,490**	89,787
Restricted bank deposits		**66**	61
Cash and cash equivalents		**77,146**	46,107
		543,601	361,985
Assets classified as held-for-sale		**–**	17,451
		543,601	379,436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 31 December 2017

	Notes	**31 December 2017 *HK$'000***	31 December 2016 *HK$'000*
CURRENT LIABILITIES			
Trade payables	*11*	**25,567**	39,046
Other payables, accruals and deposits received		**47,863**	55,080
Amount due to a non-controlling shareholder		**521**	11,655
Interest-bearing borrowings		**26,722**	12,566
Tax payable		**8,630**	5,380
		109,303	123,727
NET CURRENT ASSETS		**434,298**	255,709
TOTAL ASSETS LESS CURRENT LIABILITIES		**612,692**	426,900
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**8,078**	7,209
Provision for long service payment		**20**	33
Interest-bearing borrowings		**17,415**	15,080
		25,513	22,322
NET ASSETS		**587,179**	404,578
CAPITAL AND RESERVES			
Share capital		**64,271**	44,842
Convertible notes	*12*	**12,600**	12,600
Reserves		**437,054**	284,915
Equity attributable to owners of the Company		**513,925**	342,357
Non-controlling interests		**73,254**	62,221
TOTAL EQUITY		**587,179**	404,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), accounting principles generally accepted in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

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

(a) Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new and revised HKFRSs that have been published are relevant to the Group's operations but have not been early adopted.

New/Revised HKFRSs		**Effective Date**
HKFRS 9	Financial Instruments	Accounting periods ("AP") beginning on or after 1 January 2018
HKFRS 15	Revenue from Contracts with Customers	AP beginning on or after 1 January 2018
HKFRS 16	Leases	AP beginning on or after 1 January 2019

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

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and is unlikely to expect to have significant impact from the adoption of the new standard on 1 January 2018. The financial assets held by the Group include equity investments currently measured at fair value through profit or loss which will continue to be measured on the same basis under HKFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

HKFRS 15 Revenue from Contracts with Customers

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group earns the majority of its revenues from the sale of goods rather. It predominantly manufactures those goods to specific orders, but also retains some finished goods for speculative sale. For the majority of its contracts the Group recognises revenue at a point in time, typically on delivery of the goods to customers' premises or at the point of shipping. The Group has concluded that revenue recognition under HKFRS 15 will not be materially different to those in HKAS 18 Revenue.

HKFRS 16 Leases

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will not significantly affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$2,263,000. The Group estimates that the commitments relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

The directors of the Company (individually, a "Director") do not anticipate that the application of the new and revised HKFRSs will have material impact on the Group's financial performance and position and/or on the disclosures to the Group's consolidated financial statements.

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, deferred tax assets, financial assets at FVTPL, restricted bank deposits, pledged bank deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment liabilities exclude interest-bearing borrowings, tax payable, deferred tax liabilities, 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

(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 year ended 31 December 2017				
Segment revenue				
Revenue from external customers	**–**	**305,074**	**10,441**	**315,515**
Segment results	**(810)**	**7,481**	**(15,092)**	**(8,421)**
Reconciliation:				
Bank interest income				**24**
Other gains and losses, net				**3,377**
Finance costs				**(2,978)**
Unallocated head office and corporate expenses				**4,171**
Loss before tax				**(3,827)**
Income tax expense				**(539)**
Loss for the year				**(4,366)**
As at 31 December 2017				
Segment assets	**1,694**	**337,900**	**148,827**	**488,421**
Unallocated assets				**233,574**
				712,995
Segment liabilities	**(21,057)**	**(46,826)**	**(92)**	**(67,975)**
Unallocated liabilities				**(66,841)**
				(134,816)

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

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 year ended 31 December 2017					
Other segment information:					
Capital expenditure	**–**	**1,151**	**720**	**1,232**	**3,103**
Depreciation	**–**	**(16,717)**	**(519)**	**(418)**	**(17,654)**
Amortisation of prepaid land lease payments	**–**	**(550)**	**–**	**–**	**(550)**
Provision for impairment loss of trade receivables, net	**–**	**(16,706)**	**–**	**–**	**(16,706)**
Provision for impairment loss of prepayments, deposits and other receivables, net	**–**	**(2,950)**	**–**	**–**	**(2,950)**

	PC steel bar *HK$'000*	PHC piles and others *HK$'000*	Financial services *HK$'000*	Corporate/ unallocated *HK$'000*	Total *HK$'000*
For the year ended 31 December 2016					
Other segment information:					
Capital expenditure	–	(4,870)	(1,056)	(4)	(5,930)
Depreciation	(936)	(18,249)	(31)	(373)	(19,589)
Amortisation of prepaid land lease payments	(250)	(558)	–	–	(808)
Amortisation of intangible assets	–	(32)	–	–	(32)
Provision for impairment loss of trade receivables, net	(84)	(3,222)	–	–	(3,306)
Provision for impairment loss of prepayments, deposits and other receivables, net	(18)	(6,989)	–	–	(7,007)

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 and services delivered. The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

	Non-current assets As at 31 December		Revenue Year ended 31 December	
	2017	2016	**2017**	2016
Hong Kong	**36,582**	15,627	**10,441**	3,481
The People's Republic of China (the "PRC") (excluding Hong Kong for the purposes of this announcement)	**127,756**	147,162	**305,074**	242,146
	164,338	162,789	**315,515**	245,627

(d) Information about major customer

The Group had no transactions with customer which contributed over 10% of its total revenue for the year ended 31 December 2017 (2016: Nil).

4. OTHER GAINS/(LOSSES), NET

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

	2017	2016
	HK$'000	*HK$'000*
Exchange difference, net	**8,728**	(7,915)
Fair value gain of derivative instruments	**–**	96,848
Provision for impairment loss of profit guarantee compensation receivables	**–**	(110,543)
Net loss arising on financial assets at FVTPL	**(5,823)**	(49)
Provision for impairment loss of goodwill	**–**	(64,480)
Provision for impairment loss of trade receivables, net	**(16,706)**	(3,306)
Provision for impairment loss of prepayments, deposits and other receivables, net	**(2,950)**	(7,007)
Gain/(loss) on disposal of property, plant and equipment	**43**	(1,581)
Write-off of trade receivables	**(5,821)**	–
Reversal of provision of compensation and cost for legal cases	**4,386**	–
Gain on disposal of assets classified as held-for-sale	**21,520**	–
	3,377	(98,033)

5. LOSS BEFORE TAX

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

	2017 *HK$'000*	2016 *HK$'000*
Cost of inventories sold	**171,969**	137,082
Depreciation	**17,654**	19,589
Amortisation of intangible assets	**–**	32
Amortisation of prepaid land lease payments	**550**	808
Auditor's remuneration	**1,080**	1,080
Operating lease payments in respect of land and buildings	**5,494**	7,217
(Reversal of provision)/provision of compensation and cost for legal cases	**(4,386)**	23,273
Equity-settled share-based payments to substantial shareholders	**–**	5,270
Equity-settled share-based payments to consultants	**–**	7,924
Staff costs (including directors' remuneration):		
— salaries, bonuses and allowances	**33,817**	30,497
— equity-settled share-based payments	**–**	25,766
— (reversal of provision)/provision for long service payment	**(13)**	7
— retirement benefits scheme contributions	**1,841**	1,513
	35,645	57,783

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax had been made during the year (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% (2016: 25%). No provision for overseas taxation is required since the Group has no assessable profit arisen from its operations outside Hong Kong and the PRC during the year (2016: Nil).

	2017 *HK$'000*	2016 *HK$'000*
Current tax – PRC Enterprise Income Tax		
— Provision for the year	**7,443**	5,736
— Over-provision in prior years	**(402)**	–
	7,041	5,736
Deferred tax	**(6,502)**	(4,195)
	539	1,541

7. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2017 and 2016.

8. LOSS PER SHARE

Loss per share

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

	2017	2016
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(7,784)**	(183,049)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,266,366**	3,666,241

Diluted loss per share

No diluted loss per share for the years ended 31 December 2017 and 2016 is presented as the effects of all convertible notes and share options are anti-dilutive for the years.

9. TRADE AND BILL RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables, gross	**280,371**	244,766
Less: provision for impairment loss	**(53,868)**	(33,917)
Trade receivables, net	**226,503**	210,849
Bill receivables	**3,420**	1,547
	229,923	212,396

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. For trade receivables resulted from sales of goods and services, the credit period is generally one to three (2016: one to three) months from the date of billing, except for certain well-established customers, where the terms are extended to six months. For trade receivables resulted from loans granted, the loan period is generally three to twelve (2016: three to twelve) months from the date of inception or renewal. The Group seeks to maintain strict control over its receivables to minimise credit risk.

As at 31 December 2017, except for the receivables from loans to customers of HK$135,270,000 (2016: HK$123,041,000) which bore fixed interest rates ranging from 8% to 10% (2016: 8% to 10%) per annum and were secured with charges over the assets owned by the borrowers and/or personal guarantees, trade receivables are non-interest bearing.

Ageing analysis

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**97,829**	64,496
4 to 6 months	**74,762**	121,769
7 to 12 months	**38,373**	8,701
Over 12 months	**15,539**	15,883
	226,503	210,849

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Prepayments *(note (a))*	**158,577**	135,008
Refundable deposits paid for acquisition of subsidiaries *(note (b))*	**106,637**	–
Other receivables	**31,303**	27,803
Less: provision for impairment loss *(note (c))*	**(84,918)**	(76,121)
	211,599	86,690
Deposits paid	**3,891**	3,097
	215,490	89,787

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

Notes:

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

(b) References are made to the Company's announcements dated 12 September 2017 and 21 November 2017. During the year, the Group paid refundable earnest money of HK$100,000,000 and deposit of HK$6,637,000 to acquire certain equity interests of a target group and a target company, respectively. As security for the repayment of the refundable earnest money of HK$100,000,000, the entire issued share capital of the holding company of the target group held by the vendor was charged in favour of the Group, and the performance of all the obligations of the vendor was guaranteed by the shareholder of the vendor.

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

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

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of year	**76,121**	74,212
Impairment loss recognised	**3,071**	11,261
Impairment loss reversed	**(121)**	(4,254)
Exchange realignment	**5,847**	(5,098)
Balance at end of year	**84,918**	76,121

As at 31 December 2017, the Group's other receivables with a carrying amount before provision of HK$3,071,000 (2016: HK$11,261,000) were individually determined to be fully impaired. The individually impaired receivables related to debtors that were in financial difficulties and overdue for more than one year and management assessed that the recovery of these receivables is in doubt.

During the year ended 31 December 2015, the Group appointed an independent professional advisor to perform an investigation on certain prepayments, deposits and other receivables of a subsidiary of the Group. Based on the findings of the investigation, certain prepayments may involve the possible commercial crime committed by two former directors of a subsidiary of the Group. The management assessed and considered the recoverability of these receivables is in doubt. The Group had filed a report to Zhuhai Public Security Bureau against the two former directors of a subsidiary of the Group and the management is awaiting the findings of the investigation from the Bureau. As at 31 December 2017 and 2016, certain prepayments, deposits and other receivables with a carrying amount before provision of HK$57,138,000 were individually determined to be fully impaired.

11. TRADE PAYABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade payables	**25,567**	39,046

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

	2017 *HK$'000*	2016 *HK$'000*
Within 3 months	**17,045**	19,513
4 to 6 months	**556**	8,970
7 to 12 months	**2,060**	3,809
Over 1 year	**5,906**	6,754
	25,567	39,046

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

12. CONVERTIBLE NOTES

On 2 May 2014, the Company issued convertible notes with an aggregate amount of HK$300,000,000 in connection with the acquisition of Joint Expert Global Limited and its subsidiaries. The convertible notes are denominated in HK$, carry zero interest rate and were matured on 28 April 2017.

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

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

12. CONVERTIBLE NOTES *(continued)*

During the year ended 31 December 2016, the Company redeemed convertible notes with an aggregate principal amount of HK$100,000,000 at its fair value of approximately HK$89,155,000 to settle the profit guarantee compensation receivables. No redemption was made during the year ended 31 December 2017. As at 31 December 2017, the unconverted convertible notes were under dispute with a third party and litigation is in progress.

As at 31 December 2017, the convertible notes of the Company with an aggregate principal amount of HK$30,000,000 (2016: HK$30,000,000) were still outstanding.

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

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of year	**12,600**	54,597
Redemption	**–**	(41,997)
Balance at end of year	**12,600**	12,600

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

Construction materials business consisted of the PHC Pile and Others Business and the PC Steel Bar Business.

PHC Pile and Others Business

PHC Pile and Others Business is operated by a subsidiary of the Company, 廣東恒佳建材股份有限公司 (Guangdong Hengjia Construction Materials Co., Ltd*, "Guangdong Hengjia") and its production factory is situated in Yangjiang City, Guangdong Province, the 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 49%, 35% and 16%, (for the year ended 31 December 2016 ("FY2016"): approximately 30%, 52% and 18%) respectively to the revenue of PHC Pile and Others Businesses. The total revenue of the Group for the year ended 31 December 2017 ("FY2017") was mainly generated from the PHC Pile and Others Businesses.

Revenue from external customers for FY2017 was HK$305,074,000 compared with HK$242,146,000 reported last year, which increased by approximately 26%. 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 96.7% and 98.6% of the total revenue of the Group for FY2017 and last year respectively.

The operations of the PHC Pile and Others Business for FY2017 remained profitable. The segment profit for FY2017 was HK$7,481,000 as compared with HK$13,506,000 reported last year.

PC Steel Bar Business

PC Steel Bar Business is operated by a subsidiary of the Company, Zhuhai Hoston Special Materials Co., Ltd*. ("Zhuhai Hoston") 珠海和盛特材股份有限公司 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 FY2017. Expenses incurred during the year were mainly staff costs and legal fees for the Zhuhai Factory. Segment loss for FY2017 was HK$810,000 as compared with HK$27,453,000 reported last year.

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$10,441,000 to the revenue of the Group during FY2017 (FY2016: HK$3,481,000) 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 licence to carry out Type 9 (asset management) regulated activity under the SFO. There was no revenue generated by asset management services and advising on securities services during FY2017. The revenue generated by provision of securities brokerage services was minimal during FY2017.

Other gains and losses, net

Other gains and losses, net for FY2017 consisted of net exchange gain of HK$8,728,000, gain on disposal of property, plant and equipment of HK$43,000, gain on disposal of assets classified as held-for-sale of HK$21,520,000, net loss arising on financial assets at fair value through profit or loss of HK$5,823,000, provision for impairment loss of trade receivables, net of HK$16,706,000, provision for impairment loss of prepayments, deposits and other receivables, net of HK$2,950,000 and reversal of provision of compensation and cost for legal cases of HK$4,386,000.

Other expenses

Other expenses for FY2017 mainly represented donations of HK$3,352,000.

Selling and distribution expenses

Selling and distribution expenses for FY2017 mainly comprised of transportation costs of HK$29,092,000 and salaries for the sale-persons of HK$2,316,000.

Administrative expenses

Administrative expenses for FY2017 mainly comprised of salaries and other benefits (including directors' remuneration) of HK$19,094,000 and legal and professional fees of HK$11,419,000. The decrease in administrative expenses was mainly attributable to no recognition of equity-settled share based payment for FY2017.

Finance costs

Finance costs for FY2017 were interest expenses for the bank borrowings of HK$2,978,000.

FINAL DIVIDEND

The Board resolved not to declare any final dividend for the year ended 31 December 2017 (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 31 December 2017, the total shareholders' equity of the Group was HK$587,179,000, representing an increase of approximately 45% over last year. As at 31 December 2017, the Group's cash and cash equivalents stood at HK$77,146,000 whereas interest-bearing borrowings were HK$44,137,000. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by equity, was approximately 23% as at 31 December 2017.

SIGNIFICANT INVESTMENTS AND ACQUISITION

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

CAPITAL STRUCTURE

Convertible notes

As at 31 December 2017, the Company had convertible notes with principal amount of HK$30,000,000. Based on the opinions obtained from the legal advisers of the Company, in view of the on-going legal proceedings mentioned under the paragraph headed "Legal Proceedings" in this announcement, 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 joint placing agents to not less than six placees 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.

On 13 October 2017, a total of 1,070,000,000 ordinary shares of HK$0.01 each have been successfully placed under general mandate by a placing agent to not less than six placees at the placing price of HK$0.097 per share under the terms and conditions of the placing agreement entered into on 18 September 2017.

Share options

In accordance with the share option scheme approved and adopted by the Company on 17 June 2016 (the "Share Option Scheme 2016"), on 22 June 2016, the Company granted options to certain directors, employees, substantial shareholders and consultants of the Group to subscribe for a total of 436,200,000 ordinary shares of HK$0.01 each in the capital of the Company on or before 21 June 2026 at an exercise price of HK$0.1682 per share. In July 2017, 48,600,000 options were lapsed. As at 31 December 2017, the number of shares in respect of which options had been granted and exercisable was 267,800,000. No share options were exercised or cancelled during the year.

Issued share capital

As at 31 December 2017, the issued shares of the Company was 6,427,083,246 (as at 31 December 2016: 4,484,203,246) ordinary shares of HK$0.01 each.

USE OF PROCEEDS FROM THE PLACINGS OF SHARES

On 17 May 2017, the Company has completed a placing of shares and raised approximately HK$75.07 million. 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 announcements of the Company dated 26 April 2017 and 17 May 2017, and the announcement for change in use of proceeds from placing of new shares on 24 November 2017, the Group intended to use approximately HK$30.2 million of the net proceeds from the placing for the development of financial services business, approximately HK$8.5 million for the general working capital of the Group and the remaining balance of approximately HK$34.4 million for the proposed acquisitions from two vendors of certain issued shares in a company with its principal business of development of a piece of land situated in New South Wales, Australia.

As at 31 December 2017, HK$10 million of the proceeds from the placing of shares was used for the development of financial services business, in particular, loan to customer in the money lending business, an accumulated amount of approximately HK$20.2 million of the proceeds from the placing of shares was used in acquisition of stocks listed on the Stock Exchange, HK$8.5 million was used as general working capital and HK$6.37 million was used for the proposed acquisitions.

On 13 October 2017, the Company has completed another placing of shares and raised approximately HK$103.79 million. The net proceeds from the placing of shares were approximately HK$100.0 million after deducting the placing commission and other expenses in connection with the placing. The Company has used HK$100.0 million as the refundable earnest money for a possible acquisition from an independent third party of a target group of companies engaging in the business of supplying piped gas to residential households, commercial and industrial users in certain districts in the PRC and certain refueling stations in the those districts in the PRC.

PLEDGE OF ASSETS

The Group's certain buildings of HK$40,810,000 (2016: HK$39,151,000), certain prepaid land lease payments of HK$24,486,000 (2016: HK$23,533,000) and certain plant and machinery of HK$7,801,000 (2016: HK$8,535,000) are used to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group has approximately 400 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the Share Option Scheme 2016.

FOREIGN EXCHANGE AND CURRENCY RISKS

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

COMMITMENT

As at 31 December 2017, the Group did not have any material contracted commitments (2016: Nil).

CONTINGENT LIABILITIES

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

MEMORANDUM OF UNDERSTANDING ENTERED INTO DURING THE REPORTING YEAR

1. Reference is made to the announcement of the Company dated 9 May 2017. 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) ("Shenzhen Institutes of Advanced Technology") in the field of synthetic biology, on 5 May 2017, the Company entered into a memorandum of understanding ("SIAT MOU") with 深圳中科安正生物科技有限公司 (Shenzhen Zhongke Anzheng Biological Science and Technology Company Limited*) ("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 Shenzhen Institutes of Advanced Technology, 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.

2. References are made to the announcements of the Company dated 12 September 2017 and 10 October 2017. On 12 September 2017, Sunway New Energy Industry Group Limited (新威新能源產業集團有限公司) ("Sunway New Energy"), a direct wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "Piped Gas MOU") and on 10 October 2017, a supplemental agreement to the Piped Gas MOU with Divine Lands International Gas Holdings Group Limited (神州國際燃氣控股集團有限公司) ("Divine Lands") and Mr. Deng Chao as the guarantor in relation to the possible acquisition of the entire issued share capital of Sino New Energy International Limited (中國超燃能源國際有限公司) ("Sino New Energy"), subject to the entering into of a formal agreement (collectively, the "PG MOU").

   Sino New Energy owned 51% of the equity interest in 陝西燃超能源科技有限公司 (Shaanxi Ranchao Energy Technology Company Limited*) ("Shaanxi Ranchao"), a Sino-foreign equity joint venture company established in the PRC, and the other 49% of the equity interest in Shaanxi Ranchao is owned by 自貢市翠瑾商貿有限公司, a company incorporated in the PRC. Shaanxi Ranchao is principally engaged in the business of supplying piped gas to residential households, commercial and industrial users in certain districts in the PRC, and certain refueling stations in those districts in the PRC.

   The consideration of the possible acquisition will be determined by arm's length negotiation between Sunway New Energy and Divine Lands after the completion of the due diligence process on Sino New Energy and its subsidiaries, including Shaanixi Ranchao. Pursuant to the PG MOU, Sunway New Energy has paid in cash the refundable earnest money in the sum of HK$100,000,000 (the "Refundable Earnest Money") to Divine Lands. As security for the repayment of the Refundable Earnest Money, the entire issued share capital of Sino New Energy held by Divine Lands was charged in favour of Sunway New Energy, and the performance of all the obligations of Divine Lands was guaranteed by the sole shareholder of Divine Lands, Mr. Deng Chao. The Refundable Earnest Money shall be applied as part payment of the consideration for the possible acquisition upon signing of the formal agreement.

3. Reference is made to the announcement of the Company dated 16 October 2017. On 16 October 2017, Golden Elements Limited, a direct wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "Vietnam JV MOU") with Gold State Enterprises Limited (the "JV Partner") in relation to the possible setting up of a joint venture between Golden Elements Limited and the JV Partner for principally engaging in the development of land situated in Ho Chi Minh City and/or Hanoi, Vietnam, subject to the entering into of a formal joint venture agreement. The sum of the total investment of Golden Elements Limited in, and other terms of, the possible joint venture will be determined by arm's length negotiation between Golden Elements Limited and the JV Partner, after the completion of the due diligence process in respect of the possible joint venture.

4. References are made to the announcements of the Company dated 30 October 2017, 21 November 2017 and 6 February 2018. On 30 October 2017, Ever Vision Enterprises Limited 恆景企業有限公司 ("Ever Vision"), a direct wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "Waterloo MOU") with Zong Family Investment Pty Ltd, Ms. Ren Dandan, Mr. Wang Yun (collectively, the "W-Parties") and Sunshine Property Waterloo Pty Ltd (the "Target Company") in relation to the possible transactions involving a possible acquisition of the then existing shares in Target Company (representing approximately 39% of the then existing issued share capital of Target Company) by Ever Vision (or its nominees) from the W-Parties (or any of the W-Parties); and a possible joint venture between Ever Vision and the W-Parties (or any of the W-Parties being the then shareholder(s) of Target Company) for the development of the land situated in New South Wales, Australia, subject to the entering into of a formal agreements. The consideration, and other terms, of the possible acquisition will be determined by arm's length negotiations between Ever Vision and the W-Parties (or any of the W-Parties); and the terms of the possible joint venture will be determined by arm's length negotiations between Ever Vision and the W-Parties (or any of the W-Parties being the then shareholder(s) of Target Company), after the completion of the due diligence process on the possible transactions. Up to the date of this announcement, the Group has paid a deposit in the aggregate sum of approximately HK$6,637,000 pursuant to two conditional acquisition agreements both dated 21 November 2017 with Zong Family Investment Pty Ltd and Ms. Ren Dandan, respectively in relation to the possible acquisition (collectively, the "Acquisition Agreements").

EVENT AFTER THE REPORTING PERIOD

The Group has no material event subsequent to the year ended 31 December 2017 that needs to be disclosed.

LEGAL PROCEEDINGS

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

The Company/its subsidiary as the defendant

(a) References are made to the announcement of the Company dated 15 December 2017 and interim report of the Company for the six months ended 30 June 2017 (the "Interim Report 2017"), 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)* ("Zhuhai Intermediate People's Court"), 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 certain land and properties owned by Zhuhai Hoston, which were 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 owned by Zhuhai Hoston were sold at RMB34,074,262 (equivalent to HK$39,219,476) (the "Proceeds of Auction") in an auction and the final result of the auction was confirmed by the Jinwan People's Court.

On 17 November 2017 and 21 November 2017, the Proceeds of Auction were applied by the Jinwan People's Court to settle some of the judgment debts and claims from different creditors of Zhuhai Hoston in the PRC.

On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to Zhuhai Port for a sum of RMB894,249.07. By an agreement dated 21 November 2017 entered into between Zhuhai Hoston and Zhuhai Port, Zhuhai Port agreed to waive RMB54,816.07 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB839,433.00 as full and final settlement of the claim.

On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to Guangzhou Yihong for a sum of RMB2,509,241.48. By an agreement dated 14 November 2017 entered into between Zhuhai Hoston and Guangzhou Yihong, Guangzhou Yihong agreed to waive RMB359,241.48 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB2,150,000.00 as full and final settlement of the claim.

Pursuant to a notice issued by 廣東省珠海市斗門區人民法院 (Guangdong Zhuhai Doumen People's Court)* ("Doumen People's Court") on 14 November 2016, 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was impounded by the Doumen People's Court. In view of the aforementioned full and final settlement of the claim of Guangzhou Yihong, Guangzhou Yihong applied to Doumen People's Court to release the said impoundment. On 21 December 2017, Doumen People's Court made an execution order that the said impoundment be released.

(b) References are made to the announcement of the Company dated 15 December 2017 and the Interim Report 2017 . On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to 珠海市中小企業融資擔保有限公司 (Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd)* ("Zhuhai Small & Medium Enterprises") for a sum of RMB12,717,217.64. By an agreement dated 15 November 2017 entered into between Zhuhai Hoston and Zhuhai Small & Medium Enterprises, Zhuhai Small & Medium Enterprises agreed to waive RMB300,000.00 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB12,417,217.64 as full and final settlement of the claim.

Pursuant to a civil ruling dated 13 July 2016 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"), 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was impounded by the Xiangzhou People's Court. In view of the aforementioned full and final settlement of the claim, the management of Zhuhai Hoston will apply to the court to release the said impoundment.

(c) References are made to the Company's announcements dated 5 February 2016, 14 March 2017 and 4 September 2017 in relation to an action commenced by Liu Qian (劉倩) ("Ms. Liu") as the plaintiff against the Company as the defendant in the Court of First Instance of the High Court of Hong Kong (the "Court of First Instance") on 3 February 2016 (the "Action"). On 13 March 2017, upon the application of Ms. Liu and after the substantive hearing of the application on 27 February 2017, the Court of First Instance entered summary judgment against the Company with damages to be assessed (the "Summary Judgment"). The Company filed an appeal against the Summary Judgment on 7 April 2017 (the "Appeal") and the substantive hearing of the Appeal was heard in the Court of Appeal of the High Court (the "Court of Appeal") on 22 August 2017 with judgment reserved. On 1 September 2017, the Court of Appeal allowed the Appeal, set aside the Summary Judgment and granted the Company unconditional leave to defend the Action. There has been no progress in the Action since the Appeal.

(d) References are made to the announcements of the Company dated 11 November 2016, 15 December 2017 and the Interim Report 2017 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.

As at 8 November 2017, Zhuhai Hoston was indebted to Bi Xiaohui (畢肖輝) for a sum of RMB1,568,300.08. By an agreement dated 15 November 2017 entered into between Zhuhai Hoston and Bi Xiaohui (畢肖輝), Bi Xiaohui (畢肖輝) agreed to waive RMB568,300.08 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB1,000,000.00 as full and final settlement of the claim.

By an agreement dated 21 November 2017 entered into between Zhuhai Hoston and Chen Xiaodong (陳曉東), Chen Xiaodong (陳曉東) agreed that Zhuhai Hoston was only liable for half the amount of the outstanding loan, which is RMB1,288,833.10. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB1,288,833.10 as full and final settlement of the claim.

(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 (王天) 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.

According to the civil rulings dated 24 October 2017 and 22 January 2018 on appeals respectively, the Zhuhai Intermediate People's Court revised the principal amount of the loan to RMB839,314 as owing by Wang Tian (王天) to Wu Min (吳敏) and RMB2,378,174 as owing to Kou Jinshui (寇金水). Apart from these alterations, the Zhuhai Intermediate People's Court did not allow the appeal and confirmed the aforementioned civil rulings dated 10 April 2017 and 12 April 2017.

(iii) Upon the respective applications of Kou Jinshui (寇金水) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.)* ("Zhuhai Hechuan"), three bank accounts of Zhuhai Hoston and 70% equity interest of Zhuhai Hoston in Guangdong Hengjia were suspended/impounded by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016.

Zhuhai Hoston received a civil ruling 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 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.

On 8 September 2017, Zhuhai Hechuan filed an appeal to the Zhuhai Intermediate People's Court. By a civil ruling on 22 January 2018, Zhuhai Intermediate People's Court allowed the appeal, reversed the aforementioned civil ruling dated 13 April 2017 and ordered that the case be remitted back to the Xiangzhou People's Court for a re-trial.

(e) Reference is made to the announcement of the Company dated 15 December 2017 in relation to the civil complaints involving Zhuhai Hoston.

(i) By a ruling issued by 江蘇省無錫市惠山區人民法院 (Jiangsu Wuxi Huishan People's Court)* on 27 September 2016, Zhuhai Hoston was ordered to pay a sum of RMB94,800.00 plus interests to 無錫市天鑽硬質合金有限公司 (Wuxi Tianzuan Hard Alloy Co., Ltd)* ("Wuxi Tianzuan") as overdue trade payable. On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to Wuxi Tianzuan for a sum of RMB103,768.40 including interests. By an agreement dated 12 November 2017 entered into between Zhuhai Hoston and Wuxi Tianzuan, Wuxi Tianzuan agreed to waive RMB8,968.40 from the debt. On 17 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB94,800.00 as full and final settlement of the claim.

(ii) On 11 August 2017, the Jinwan People's Court confirmed that as at 10 June 2017, Zhuhai Hoston was indebted to 珠海市宏展機電設備有限公司 (Zhuhai Hongzhan Electrical and Mechanical Co., Ltd.)* ("Zhuhai Hongzhan") for a sum of RMB19,300.00. By an agreement dated 13 November 2017 entered into between Zhuhai Hoston and Zhuhai Hongzhan, Zhuhai Hongzhan agreed to waive RMB3,300.00 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB16,000.00 as full and final settlement of the claim.

(iii) By a civil mediation agreement dated 14 July 2017 entered into between Zhuhai Hoston and 斗門區井岸鎮恒遠機械模具店 (Doumen District Jingan Town Hengyuan Machinery Mold Shop)* ("Hengyuan") and endorsed by Doumen People's Court, Zhuhai Hoston agreed to pay Hengyuan a sum of RMB30,936.00 as overdue trade payable including interests and RMB287.00 as court fees. By an agreement dated 16 November 2017 entered into between Zhuhai Hoston and Hengyuan, Hengyuan agreed to waive RMB6,223.00 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB25,000.00 as full and final settlement of the claim.

(iv) By a civil mediation agreement dated 17 August 2017 entered into between Zhuhai Hoston and 珠海路迅通貨運代理有限公司 (Zhuhai Luxuntong Forwarding Co., Ltd)* ("Zhuhai Luxuntong") and endorsed by the Doumen People's Court, Zhuhai Hoston agreed to pay Zhuhai Luxuntong a total sum of RMB468,428.40 as overdue trade payable including interests and RMB4,163.00 as court fees. By an agreement dated 10 November 2017 entered into between Zhuhai Hoston and Zhuhai Luxuntong, Zhuhai Luxuntong agreed to waive RMB81,297.48 from the debt. On 21 November 2017, the Jinwan People's Court confirmed that it would apply the Proceeds of Auction to settle the sum of RMB391,293.92 as full and final settlement of the claim.

(f) Reference is made to the announcement of the Company dated 15 December 2017 in relation to the outstanding claims against Zhuhai Hoston:

A total sum of RMB18,222,577.66 out of the Proceeds of Auction was applied to settle part of the claims against Zhuhai Hoston referred to in paragraphs (a), (b), (d)(i) and (e) above. After deducting an administrative fee of RMB57,274.00 by the Jinwan People's Court, a sum of RMB15,794,410.34 remained (the "Remaining Proceeds of Auction").

(i) Zhuhai Hoston was indebted to Guangdong Hengjia for a total sum of RMB50,566,745.84 (the "Guangdong Hengjia Debt"). The Remaining Proceeds of Auction had been applied by the Jinwan People's Court to settle part of the Guangdong Hengjia debt. After applying the Remaining Proceeds of Auction, Zhuhai Hoston is indebted to Guangdong Hengjia for a total sum of RMB34,772,335.50.

Zhuhai Hoston received an execution order dated 21 November 2017 made by 陽江市江城區人民法院 (Yangjiang Jiangcheng People's Court)* ("Yangjiang Jiangcheng People's Court") on the application of Guangdong Hengjia to seize certain tools and equipment of Zhuhai Hoston for a period of 2 years as security for the debt owed by Zhuhai Hoston to Yangjiang Jiangcheng People's Court.

Zhuhai Hoston received an auction notice dated 6 February 2018 issued by the Yangjiang Jiangcheng People's Court that the seized tools and equipment would be listed for auction from 9 March 2018 to 10 March 2018. The Company was informed by Zhuhai Hoston that the seized tools and equipment were not sold at the auction.

(ii) Upon the applications of 佛山市南海信通物資有限公司 (Foshan Nanhai Xintong Materials Co., Ltd) ("Foshan Nanhai") a bank account of Zhuhai Hoston, certain tools and 70% equity interest of Zhuhai Hoston in Guangdong Hengjia were suspended, seized and impounded by 廣東省佛山市南海區人民法院 (Guangdong Foshan Intermediate People's Court)* (the "Foshan Intermediate People's Court") pursuant to an execution order made on 4 August 2015, list of seized properties dated 12 August 2015 and an execution notice dated 17 August 2015 respectively.

By an assignment of loan executed between 陽江市博信商貿有限公司 (Yeungkong Boxin Trading Co., Ltd)* ("Yeungkong Boxin") and Foshan Nanhai, Foshan Nanhai assigned a debt of RMB414,698.55 plus interests owed by Zhuhai Hoston to Yeungkong Boxin (the "Assignment"). In addition to a loan of RMB1,576,225.80 between Yeungkong Boxin as the lender and Zhuhai Hoston as the borrower, Zhuhai Hoston is indebted to Yeungkong Boxin for a total sum of RMB2,182,047.44.

Since Foshan Nanhai has not notified the Foshan Intermediate People's Court of the Assignment, the records of the Foshan Intermediate People's Court are still showing Foshan Nanhai as the creditor of Zhuhai Hoston. In view of the Assignment, the management of Zhuhai Hoston will apply to the court to update the records.

(iii) By a civil mediation agreement dated 16 October 2017 entered into between Zhuhai Hoston and 特潤絲(天津)化學有限公司 (Terunsi (Tianjin) Chemical Co., Ltd)* ("Terunsi") and endorsed by the Doumen People's Court, Zhuhai Hoston agreed to pay Terunsi a total sum of RMB71,400.00 as overdue trade payable and RMB793.00 as court fees. On the same date, Doumen People's Court issued a civil ruling against Zhuhai Hoston and ordered that an amount of RMB71,400.00 in a bank account held by Zhuhai Hoston be suspended for one year.

The Company is looking into the rest of the outstanding claims with the management of Zhuhai Hoston in relation to how such claims will be settled.

The Directors are of the opinion that the trade and other payables and provision for late penalty charges and corresponding legal fee are sufficiently made in the consolidated financial statements as at 31 December 2017.

The Company/its subsidiaries as the plaintiff

(g) By a Generally 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 Court of First Instance adding Ms. Liu as a defendant to the SPA Legal Proceeding claiming, amongst other things, that Ms. Liu 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) referred to in paragraph (d) above which has led to the Group's involvement in such litigation.

Pursuant to the Order of the Court of First Instance dated 5 December 2017, the Plaintiffs filed and served on the Defendants their Further and Better Particulars of the Amended Statement of Claim on 9 January 2018. Upon counsel's advice, the Plaintiffs are considering to further amend the Amended Statement of Claim in order to, amongst other things, simplify their claims and to make clear their causes of action.

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

(h) 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 announcement, the management is awaiting the findings of the investigation from the Bureau.

(i) 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 disclosed of above, no other significant and material financial implication arising from the said cases.

PROSPECT

As regards the business of the Type 9 (asset management) regulated activity under the SFO, it has started to launch an education fund and an Australian real estate fund. The size of the education fund is approximately US$100 million (equivalent to approximately HK$780 million) and the investment scope of the education fund is Hong Kong and oversea potential schools. There are five targeted projects located in Hong Kong, China and Canada, including kindergartens, secondary schools, universities and other vocational institutions. The size of the Australian real estate fund is approximately AUD100 million (equivalent to approximately HK$610 million). The investment scope of the Australian real estate fund is Australia real estate projects. There are two targeted projects in Sydney, New South Wales. The first project is a nursing home located in Penrith and the second project is a luxury apartment located in Marsden Park. These funds will not be licensed funds, but private equity funds. The above targeted projects are mainly sourced by the general partner of the funds.

Apart from private equity funds, the hedge fund is expected to be launched in April 2018. The investment scope of the hedge fund is listed global equities and fixed income securities.

The Company has entered into the SIAT MOU with Shenzhen Zhongke, 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. Shenzhen Institutes of Advanced Technology has outstanding research achievements in the field of synthetic biology. As at the date of this announcement, notwithstanding the expiration of the 6-month period from the date of the SIAT MOU, this possible cooperation is still subject to further negotiations.

Sunway New Energy has entered into the PG MOU in relation to the possible acquisition of the entire issued share capital of Sino New Energy, subject to the entering into of a formal agreement. Sino New Energy owned 51% of the equity interest in Shaanxi Ranchao, which is principally engaged in the business of supplying piped gas to residential households, commercial and industrial users in certain districts in the PRC and certain refueling stations in those districts in the PRC. As at the date of this announcement, notwithstanding the expiration of the exclusivity period of 6 months from the date of the Piped Gas MOU, this possible acquisition is still under the due diligence process and the formal agreement has yet to be entered into.

Golden Elements Limited has entered into the Vietnam JV MOU with the JV Partner in relation to the possible setting up of a joint venture between Golden Elements Limited and the JV Partner for principally engaging in the development of land situated in Ho Chi Minh City and/or Hanoi, Vietnam, subject to the entering into of the formal joint venture agreement. As at the date of this announcement, notwithstanding the expiration of the 6-month period from the date of the Vietnam JV MOU, this possible joint venture is still under the due diligence process.

References are made to the announcements of the Company dated 30 October 2017, 21 November 2017 and 6 February 2018. The Group entered into the Waterloo Acquisition Agreements on 21 November 2017 with the W-Parties. As at the date of this announcement, notwithstanding the expiration of the Long Stop Date which was originally set as 31 January 2018 or such later date(s) as the Group and the W-Parties may agree in writing, the parties to the Waterloo Acquisition Agreements are still negotiating on certain amendments to the Waterloo Acquisition Agreements.

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

For the year ended 31 December 2017 and up to the date of this announcement, there were changes in Directors 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 Chenli, the number of the independent non-executive Directors and members of the Remuneration Committee of the Board 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 Weidong remains 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 Huen Sum 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 a managing Director with effect from 12 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28 May 2018 to 31 May 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the eligibility of the shareholders of the Company to attend, and qualify for exercising their voting rights at the forthcoming annual general meeting of the Company scheduled to be held on 1 June 2018 (the "AGM"), all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 25 May 2018.

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

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2017, except for the following deviations:

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

Under the code provision A6.7 of the Code, independent non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of the shareholders. The independent non-executive Directors, namely Mr. Cong Yongjian, Mr. Lam Kai Yeung and Dr. Lam Huen Sum, were not able to attend the general meetings of the Company due to their other commitments.

Under the Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. Mr. Huang Weidong, the chairman of the Board was unable to attend the annual general meeting of the Company held on 6 June 2017. Mr. Leung Chi Fai and Mr. Li Chongyang, the executive Director of the Company, attended the said annual general meeting to respond to the queries from the shareholders.

AUDIT COMMITTEE

The Audit Committee of the Board was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the financial reporting, risk management and internal controls of the Group. Members of the Audit Committee of the Board as at the date of this announcement comprised all three independent non-executive Directors, namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Dr. Lam Huen Sum and the non-executive Director, Mr. Liu Chenli. The Group's financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Board, who is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited ("ZHONGHUI"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by ZHONGHUI in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The annual report 2017 of the Company containing all information required by the Listing Rules will be published on the website of the Company at http://www.irasia.com/listco/hk/sunway/index.htm and the website of the Stock Exchange at http://www.hkexnews.hk in due course.

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

Hong Kong, 29 March 2018

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Leung Chi Fai, Mr. Li Chongyang and Ms. Qi Jiao, two non-executive Directors, namely, Mr. Huang Weidong (Chairman) and Mr. Liu Chenli, and three independent non-executive Directors, namely, Mr. Cong Yongjian, Mr. Lam Kai Yeung and Dr. Lam Huen Sum.

* *For identification purposes only*