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SUNWAY INTERNATIONAL HOLDINGS LIMITED

新威國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 58)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board of Directors (the “Board”) of Sunway International Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 June 2017	30 June 2016
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
REVENUE	3	141,628	124,690
Cost of sales		<u>(106,899)</u>	<u>(96,447)</u>
Gross profit		34,729	28,243
Other income		676	1,666
Other gains and losses		(2,035)	(2,846)
Selling and distribution expenses		(12,021)	(11,200)
Administrative expenses		(22,851)	(62,179)
Other expenses		(66)	(310)
Finance costs		<u>(1,396)</u>	<u>(1,516)</u>
LOSS BEFORE TAX	4	<u>(2,964)</u>	<u>(48,142)</u>

* For identification purposes only

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

		Six months ended	
		30 June	30 June
		2017	2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
LOSS BEFORE TAX	4	(2,964)	(48,142)
Income tax expenses	5	(3,038)	(3,184)
LOSS FOR THE PERIOD		<u>(6,002)</u>	<u>(51,326)</u>
Loss for the period attributable to:			
Owners of the Company		(8,807)	(54,167)
Non-controlling interests		2,805	2,841
		<u>(6,002)</u>	<u>(51,326)</u>
Loss per share attributable to owners of the Company for the period			
Basic and diluted	7	<u>HK(0.2 cents)</u>	<u>HK(2 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June	31 December
	2017	2016
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	101,264	106,957
Intangible assets	11,786	11,786
Prepaid land lease payments	23,204	23,064
Goodwill	20,982	20,982
Deferred tax assets	8,618	8,402
Construction in progress	50	–
	<hr/>	<hr/>
Total non-current assets	165,904	171,191
CURRENT ASSETS		
Financial assets at fair value through profit or loss	19,957	–
Inventories	15,815	13,634
Trade receivables	210,584	212,396
Prepayments, deposits and other receivables	113,353	89,787
Restricted bank deposits	63	61
Cash and cash equivalents	80,168	46,107
	<hr/>	<hr/>
	439,940	361,985
Assets classified as held-for-sale	17,761	17,451
	<hr/>	<hr/>
Total current assets	457,701	379,436

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

		30 June 2017	31 December 2016
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
CURRENT LIABILITIES			
Trade and bill payables	9	33,608	39,046
Other payables, accruals and deposit received		57,325	55,080
Amount due to a non-controlling shareholder		500	11,655
Interest-bearing borrowings		13,524	12,566
Tax payable		7,876	5,380
		112,833	123,727
Total current liabilities		112,833	123,727
NET CURRENT ASSETS		344,868	255,709
TOTAL ASSETS LESS CURRENT LIABILITIES		510,772	426,900
NON-CURRENT LIABILITIES			
Deferred tax liabilities		6,424	7,209
Provision for long service payment		21	33
Interest-bearing borrowings		30,501	15,080
		36,946	22,322
Total non-current liabilities		36,946	22,322
NET ASSETS		473,826	404,578
EQUITY			
Share capital		53,571	44,842
Convertible notes		12,600	12,600
Reserves		342,058	284,915
		408,229	342,357
Equity attributable to owners of the Company		408,229	342,357
Non-controlling interests		65,597	62,221
		473,826	404,578
TOTAL EQUITY		473,826	404,578

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1. Basis of presentation

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

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

2.2 Principal accounting policies

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

In the current accounting period, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on or after 1 January 2017. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated financial statements and amounts reported for the current and prior accounting periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

The Group has three reportable segments as follows:

- Sales and manufacturing of pre-stressed steel bar (the “PC steel bar”);
- Sales and manufacturing of high-strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products (the “PHC piles and others”); and
- Money lending, provision of assets management services, advising on securities services and securities brokerage services (the “Financial services”).

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reporting segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that head office and corporate expenses, bank interest income, other gains and losses, net and finance costs are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

(a) Segment results, segment assets and liabilities

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

3. OPERATING SEGMENT INFORMATION *(continued)*

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

	PC steel bar <i>HK\$'000</i>	PHC piles and others <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2016				
Segment revenue				
Revenue from external customers	–	124,690	–	124,690
Segment results	(2,590)	12,403	–	9,813
Reconciliation:				
Bank interest income				32
Other gains and losses, net				(2,762)
Finance costs				(1,516)
Unallocated head office and corporate expenses				(53,709)
Loss before tax				(48,142)
Income tax expense				(3,184)
Loss for the year				(51,326)
As at 31 December 2016				
Segment assets	26,517	307,219	137,262	470,998
Unallocated assets				79,629
				550,627
Segment liabilities	(45,087)	(56,748)	(204)	(102,039)
Unallocated liabilities				(44,010)
				(146,049)

3. OPERATING SEGMENT INFORMATION *(continued)*

(b) Other segment information

	PC steel bar <i>HK\$'000</i>	PHC piles and others <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Corporate/ unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended					
30 June 2017					
Other segment information:					
Capital expenditure	–	(33)	(582)	–	(615)
Depreciation	10	(8,577)	(239)	(188)	(8,994)
Amortisation of prepaid land lease payments	–	(270)	–	–	(270)
Provision for impairment loss of trade receivables, net	–	(2,535)	–	–	(2,535)
Provision for impairment loss of prepayments deposits and other receivables, net	–	44	–	–	44
	<u>–</u>	<u>44</u>	<u>–</u>	<u>–</u>	<u>44</u>
	PC steel bar <i>HK\$'000</i>	PHC piles and others <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Corporate/ unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended					
30 June 2016					
Other segment information:					
Capital expenditure	–	(1,183)	–	(4)	(1,187)
Depreciation	(535)	(9,216)	–	(187)	(9,938)
Amortisation of prepaid land lease payments	(127)	(284)	–	–	(411)
Amortisation of intangible asset	–	(22)	–	–	(22)
Provision for impairment loss of trade receivables, net	(85)	–	–	–	(85)
	<u>(85)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(85)</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

(c) Geographical information

The geographical location of revenue information is based on the locations of customers at which the goods delivered or the locations of service provided. The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

	Non-current assets		Revenue	
	As at		Six months ended	
	30 June 2017	31 December 2016	30 June 2017	30 June 2016
Hong Kong	15,783	15,627	5,009	–
The PRC <i>(Note)</i>	150,121	155,564	136,619	124,690
	<u>165,904</u>	<u>171,191</u>	<u>141,628</u>	<u>124,690</u>

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

(d) Information about major customers

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

4. LOSS BEFORE TAX

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

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

5. INCOME TAX EXPENSES

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

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

6. DIVIDEND

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

7. LOSS PER SHARE

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

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

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

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

8. TRADE RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three (31 December 2016: one to three) months from the date of billing, except for certain well-established customers, where the terms are extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk.

As at 30 June 2017, except for the receivables from loans to customers of HK\$123,736,000 (31 December 2016: HK\$123,041,000) which bear fixed interest rates ranging from 8% to 10% per annum and are with charges over the assets owned by the borrowers and/or personal guarantees, trade receivables are non-interest bearing.

Ageing analysis

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

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

9. TRADE AND BILL PAYABLES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

Construction Materials Business consisted of the pre-stressed high-strength concrete piles and others business (the “PHC Pile and Others Business”) and the pre-stressed steel bars business (the “PC Steel Bar Business”).

PHC Pile and Others Business

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

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

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

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

PC Steel Bar Business

PC Steel Bar Business is operated by a subsidiary of the Company, Zhuhai Hoston Special Materials Co., Ltd. (“Zhuhai Hoston”) and its production factory is situated in Zhuhai City, Guangdong Province, the PRC (the “Zhuhai Factory”). The operation of the Zhuhai Factory has been suspended since 1 January 2016.

PC Steel Bar Business did not generate revenue during the FP2017. Expenses incurred during the year were mainly legal and professional fees and staff costs for the Zhuhai Factory. Segment loss for FP2017 was HK\$909,000 as compared with HK\$2,590,000 reported last period.

Financial Services Business

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

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

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

Other gains and losses, net

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

Other expenses

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six month ended 30 June 2017 (six month ended 30 June 2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with equity fund raising activities, internally generated cash flow and banking facilities provided by its principal bankers in the PRC. As at 30 June 2017, the total shareholders' equity of the Group was HK\$473,826,000, representing an increase of approximately 17% as compared with that as at 31 December 2016. As at 30 June 2017, the Group's cash and cash equivalents stood at HK\$80,168,000 whereas interest-bearing borrowings were HK\$44,025,000. During the period, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by equity, was approximately 31.6% as at 30 June 2017.

SIGNIFICANT INVESTMENT AND ACQUISITION

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

CAPITAL STRUCTURE

Convertible notes

As at 30 June 2017, the Company had convertible notes with principal amount of HK\$30,000,000. Based on the opinions obtained from the legal adviser of the Company, in view of the on-going legal proceedings mentioned under the paragraph headed "Legal Proceedings/Complaints", the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

Placing of New Shares

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

Share options

In accordance with the share options scheme approved and adopted by the Company on 17 June 2016 (the "Share Options Scheme 2016"), on 22 June 2016, the Company granted options to certain directors, employees, substantial shareholders and consultants of the Group to subscribe for a total of 436,200,000 ordinary shares of HK\$0.01 each in the capital of the Company on or before 21 June 2026 at an exercise price of HK\$0.1682 per share. As at 30 June 2017, the number of shares in respect of which options had been granted and exercisable was 316,400,000. No share options were exercised, cancelled or lapsed during the period.

USE OF PROCEEDS FROM THE PLACING OF SHARES

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

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

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

PLEDGE OF ASSETS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group has approximately 380 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the Share Option Scheme 2016.

FOREIGN EXCHANGE AND CURRENCY RISKS

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

COMMITMENT

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

CONTINGENT LIABILITIES

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

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

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

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

EVENT AFTER THE REPORTING PERIOD

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

PROSPECT

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

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

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

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

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

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

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

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

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

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 annual report of the Company for the year ended 31 December 2016 (the “Annual Report 2016”), Zhuhai Hoston was ordered to pay the overdue amount, late penalty charge and legal costs to 珠海港物流發展有限公司 (Zhuhai Port Logistics Development Co., Ltd)* (“Zhuhai Port”) and 廣州市壹弘運輸有限公司 (Guangzhou Yihong Transportation Co., Ltd)* (“Guangzhou Yihong”) in a total sum of RMB1,098,667 and RMB2,295,538, in accordance with the rulings issued by 廣東省珠海市金灣區人民法院 (Guangdong Zhuhai Jinwan People’s Court)* (“Jinwan People’s Court”) and 廣東省珠海市中級人民法院 (Guangdong Zhuhai Intermediate People’s Court)*, respectively. Up to 30 June 2017, a total sum of RMB310,000 and RMB465,000 were paid to Zhuhai Port and Guangzhou Yihong, respectively.

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

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

- (b) References are made to the Annual Report 2016, Zhuhai Hoston was ordered to pay the outstanding principal sums of RMB1,000,000 and RMB8,152,910, plus late penalty charge and legal costs, to 珠海市中小企業融資擔保有限公司 (Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd)* by civil rulings issued by 廣東省珠海市香洲區人民法院 (Guangdong Zhuhai Xiangzhou People’s Court)* (the “Xiangzhou People’s Court”) dated 7 November 2015 and 26 March 2016, respectively. According to the civil ruling dated 13 July 2016 issued by the Xiangzhou People’s Court, 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was frozen up to 3 years from 20 July 2016. The Company is looking into the matter with the management of Zhuhai Hoston in relation to the said civil ruling.
- (c) References are made to the Company’s announcements dated 5 February 2016 and 14 March 2017 in relation to an action initiated by Liu Qian (劉倩) (“Ms. Liu”) as the plaintiff against the Company as the defendant in the Court of First Instance High Court of Hong Kong (the “High Court”) on 3 February 2016. On 3 October 2016, Ms. Liu applied for a summary judgement against the Company by way of summons (the “Summons”). The substantive hearing of the Summons was heard on 27 February 2017 with judgment reserved. On 13 March 2017, the Court handed down judgement (the “Judgement”) in favour of Ms. Liu against the Company with damages to be assessed. The Company has filed appeal against the Judgement on 7 April 2017. The substantive hearing of the Appeal was heard in the Court of Appeal of Hong Kong on 22 August 2017 with judgement reserved.

(d) Reference is made to the announcement of the Company dated 11 November 2016 in relation to the civil complaints involving Zhuhai Hoston.

- (i) Zhuhai Hoston received civil rulings on 19 October 2016 and was to assume joint responsibility with other guarantors in relation to outstanding personal loans of RMB1,900,000 and approximately RMB3,000,000, owing by Wang Tian (王天) to Bi Xiaohui (畢肖輝) and Chen Xiaodong (陳曉東), respectively, and interests on such respective principal sums and legal costs. Zhuhai Hoston has filed appeals against these civil rulings.

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

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

- (ii) Zhuhai Hoston received civil rulings on 10 April 2017 and 12 April 2017 and was to assume responsibility for half of the outstanding personal loans of RMB1,000,000 and RMB3,500,000, owing by Wang Tian to Wu Min (吳敏) and Kou Jinshui (寇金水), respectively, and the respective interests thereon and the legal costs. Zhuhai Hoston has filed appeals against these civil rulings and the matters are pending to be heard.
- (iii) Zhuhai Hoston received civil rulings on 13 April 2017 in relation to disputes over private lending pursuant to a lending contract dated 6 April 2013 entered into between Zhuhai Hoston as the borrower and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.)* (“Zhuhai Hechuan”) as the lender, that the said lending has been fully settled by Zhuhai Hoston already and Zhuhai Hoston was not liable to any repayment of the loan and the respective interest thereon to Zhuhai Hechuan.

The directors of the Company are of the opinion that the trade and other payables and provision for late penalty charges and corresponding legal fee are sufficiently made in the condensed consolidated financial statements as at 30 June 2017.

The Company/its subsidiaries as the plaintiff

- (e) By a general indorsed writ of summons dated 23 June 2015 and statement of claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the “Plaintiffs”) against Xiao Guang Kevin (蕭光) (“Mr. Xiao”) and Wang Zhining (王志寧) (“Mr. Wang”) (collectively, the “Defendants”), the vendor and the guarantor, respectively, all of whom are parties to a very substantial acquisition of the Company (the “VSA”) as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, the Plaintiffs claim that the Defendants have fundamentally breached the terms and conditions of the SPA (the “SPA Legal Proceeding”). Accordingly, the Plaintiffs are seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao.

On 16 March 2017, the Plaintiffs filed an amended statement of claim to the High Court adding Ms. Liu as a defendant to the SPA Legal Proceeding claiming, amongst other things, that such party is a nominee of Mr. Wang and further claim against the Defendants for misrepresentation regarding the undisclosed guarantees given by Zhuhai Hoston in favour of 王天 (Wang Tian) as disclosed in paragraph (d) above which has led to the Group's involvement in such litigation. By an order of the High Court dated 26 July 2017, the SPA Legal Proceeding has been adjourned for hearing of interlocutory applications on 5 December 2017.

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

- (f) On 30 July 2015, Zhuhai Hoston 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 Reported Case is still under investigation by the Bureau.
- (g) On 29 February 2016, Zhuhai Hoston filed a lawsuit in the Xiangzhou People's Court against the Former Directors and 珠海市鑫鋒發展有限公司 (Zhuhai Xinfeng Development Co., Ltd.)*, the controlled company of the Former Directors (the "Controlled Company"), regarding the prepayment to a supplier of Zhuhai Hoston of RMB4,840,000 for the purchase of machinery. The sum was subsequently transferred to the Controlled Company based on the instructions of the Former Directors to the supplier. According to civil ruling from the Xiangzhou People's Court dated 30 May 2016, the lawsuit has been suspended pending for the investigation results of the Reported Case as the prepayment to the supplier is part of the subject matter of the Reported Case.

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

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

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

CORPORATE GOVERNANCE

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

Under Code Provision A.4.1, the non-executive Directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors and one of the non-executive Directors, Mr. Liu Chenli, are not appointed for specific term. According to the Company’s Bye-Law 108(A), one third of the Directors shall retire from the office by rotation and subject to re-election at the annual general meeting. In the opinion of the Board, this meets the same objective and is no less exacting than those in the Code.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the financial reporting, risk management and internal controls of the Group. The Audit Committee comprises one non-executive Director, Mr. Liu Chenli and the three independent non-executive Directors, Mr. Cong Yongjian, Mr. Lam Kai Yeung (chairman of the Audit Committee) and Dr. Lam Huen Sum. The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

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.

PUBLICATION OF UNAUDITED INTERIM REPORT

The unaudited interim 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, 30 August 2017

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

* *For identification purpose only*