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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Sunway International Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 ("**FP2018**"), together with the comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 June 2018	30 June 2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**200,187**	141,628
Cost of sales		**(144,565)**	(106,899)
Gross profit		**55,622**	34,729
Other income		**5,720**	676
Other gains and losses		**(5,154)**	(2,035)
Selling and distribution expenses		**(28,492)**	(12,021)
Administrative expenses		**(23,027)**	(22,851)
Other expenses		**(171)**	(66)
Finance costs		**(1,688)**	(1,396)
PROFIT/(LOSS) BEFORE TAX	*4*	**2,810**	(2,964)

* *For identification purposes only*

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Unaudited)
PROFIT/(LOSS) BEFORE TAX	*4*	**2,810**	(2,964)
Income tax expense	*5*	**(2,033)**	(3,038)
PROFIT/(LOSS) FOR THE PERIOD		**777**	(6,002)
Profit/(Loss) for the period attributable to:			
Owners of the Company		**(4,712)**	(8,807)
Non-controlling interests		**5,489**	2,805
		777	(6,002)
Loss per share attributable to owners of the Company for the period			(Restated)
Basic and diluted	*7*	**HK(0.7 cents)**	HK(1.9 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**777**	(6,002)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(2,863)**	2,110
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD	**(2,086)**	(3,892)
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	**(6,517)**	(8,430)
Non-controlling interests	**4,431**	4,538
	(2,086)	(3,892)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**96,819**	107,588
Intangible assets		**11,786**	11,786
Prepaid land lease payments		**23,425**	23,982
Goodwill		**20,982**	20,982
Deferred tax assets		**15,201**	14,056
Construction in progress		**169**	–
Total non-current assets		**168,382**	178,394
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**431**	9,397
Inventories		**20,115**	11,579
Trade and bill receivables	*8*	**223,602**	229,923
Prepayments, deposits and other receivables		**248,878**	215,490
Restricted bank deposits		**53**	66
Cash and cash equivalents		**51,285**	77,146
Total current assets		**544,364**	543,601

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade and bill payables	9	**34,019**	25,567
Other payables and accruals		**44,304**	47,863
Amount due to a non-controlling shareholder		**514**	521
Interest-bearing borrowings		**25,186**	26,722
Tax payable		**7,754**	8,630
Total current liabilities		**111,777**	109,303
NET CURRENT ASSETS		**432,587**	434,298
TOTAL ASSETS LESS CURRENT LIABILITIES		**600,969**	612,692
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**6,991**	8,078
Provision for long service payment		**18**	20
Interest-bearing borrowings		**18,881**	17,415
Total non-current liabilities		**25,890**	25,513
NET ASSETS		**575,079**	587,179
EQUITY			
Share capital		**62,413**	64,271
Convertible notes		**12,600**	12,600
Reserves		**422,381**	437,054
Equity attributable to owners of the Company		**497,394**	513,925
Non-controlling interests		**77,685**	73,254
TOTAL EQUITY		**575,079**	587,179

(continued)

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 provision of financial services.

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 2018 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 Institute 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 2017 (the "Annual Financial Statements 2017") 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 2017, except for the adoption of the new and amended HKFRSs (which also include HKASs and Interpretations) as mentioned below.

A number of new or amended standards became applicable for the current accounting period. Of these, the followings are relevant to the Group's condensed consolidated financial statements.

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policy are disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The Group had to change its accounting policies as a result of adopting the above new standards. The impact of the adoption of these standards and new accounting policies are disclosed below. The other standards and interpretation did not have material impact in the Group's accounting policies and did not require any adjustments.

(i) HKFRS 9 Financial Instruments

<u>Investments and other financial assets</u>

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories to classify the debt instruments:

(1) Amortised cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income, except for interest income generated from loan receivables which is included in revenue, using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the condensed consolidated income statement.

(2) Fair value through other comprehensive income
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the condensed consolidated income statement.

(3) Fair value through profit or loss
Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in

profit or loss in the period in which it arises.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other gains, net when the Group's right to receive payments is established.

Changes in the fair value of financial asset at FVPL are recognised in other gains, net in the interim condensed consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bill receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 Revenue which covered revenue arising from sale of goods and rendering of services, and HKAS 11 Construction contracts which specified the accounting for construction contracts.

Under the requirement of HKFRS 15, revenue from sale of goods and provision of services by the Group is recognised when the customer obtains control of the promised goods and services in the contract. Transfer of significant risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As at 30 June 2018, the Group has contract liabilities of HK$5,366,000 (31 December 2017: HK$7,847,000 as receipt in advance from customers), which represents the obligation to transfer goods to customers for which the consideration has been received, and is included in "other payables and accruals" in the consolidated statement of financial position. Except that, the adoption of HKFRS 15 has no significant financial impact on these condensed 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, 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, 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 six months ended 30 June 2018				
Segment revenue				
Revenue from external customers	**–**	**194,525**	**5,662**	**200,187**
Segment results	**5,590**	**17,102**	**(3,340)**	**19,352**
Reconciliation:				
Bank interest income				**75**
Other gains and losses, net				**2**
Finance costs				**(1,688)**
Unallocated head office and corporate expenses				**(14,931)**
Profit before tax				**2,810**
Income tax expense				**(2,033)**
Profit for the period				**777**
As at 30 June 2018				
Segment assets	**12,339**	**346,393**	**155,061**	**513,793**
Unallocated assets				**198,953**
				712,746
Segment liabilities	**(20,735)**	**(50,631)**	**(126)**	**(71,492)**
Unallocated liabilities				**(66,175)**
				(137,667)

3. OPERATING SEGMENT INFORMATION *(continued)*

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

	PC steel bar *HK$'000*	PHC piles and others *HK$'000*	Financial services *HK$'000*	Total *HK$'000*
For the six months ended 30 June 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 period				(6,002)
As at 31 December 2017				
Segment assets	1,694	337,900	148,827	488,421
Unallocated assets				233,574
				721,995
Segment liabilities	(21,057)	(46,826)	(92)	(67,975)
Unallocated liabilities				(66,841)
				(134,816)

3. OPERATING SEGMENT INFORMATION *(continued)*

(b) Other segment information

	PC steel bar *HK$'000*	**PHC piles and others** *HK$'000*	**Financial services** *HK$'000*	**Corporate/ unallocated** *HK$'000*	**Total** *HK$'000*
For the six months ended 30 June 2018					
Other segment information:					
Capital expenditure	**–**	**(369)**	**(88)**	**–**	**(457)**
Depreciation	**–**	**(9,727)**	**(303)**	**(289)**	**(10,319)**
Amortisation of prepaid land lease payments	**–**	**(294)**	**–**	**–**	**(294)**
Provision for impairment loss of trade receivables, net	**–**	**(3,604)**	**(1,049)**	**–**	**(4,653)**
Provision for impairment loss of prepayments, deposits and other receivables, net	**(11)**	**(1,855)**	**–**	**–**	**(1,866)**

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

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 2018	31 December 2017	**30 June 2018**	30 June 2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**40,153**	36,582	**5,662**	5,009
The PRC *(Note)*	**113,028**	127,756	**194,525**	136,619
	153,181	164,338	**200,187**	141,628

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

(d) Information about major customers

For the six months ended 30 June 2018, the Group had transactions with one customer, which contributed over 8% of the Group's total revenue. The total revenue earned from this customer amounting to HK$17,779,000. For the six months ended 30 June 2017, the total revenue earned from this customer amounting to HK$16,286,000.

4. **PROFIT/(LOSS) BEFORE TAX**

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

	Six months ended	
	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid land lease payments	**294**	270
Depreciation	**10,319**	8,994
Cost of inventories sold	**100,059**	79,016
Operating lease payment in respect of land and buildings	**2,325**	2,946
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	**18,083**	16,483
Retirement benefits scheme contributions	**1,206**	1,169
(Reversal of provision)/provision for long service payment, net	**(2)**	(12)
	19,287	17,640

5. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made during the period (six months ended 30 June 2017: 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 2017: 25%).

	Six months ended	
	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax — PRC Enterprises Income Tax		
— Current tax for the period	**5,798**	4,367
— Over-provision in prior years	**(1,298)**	(550)
	4,500	3,817
Deferred tax	**(2,467)**	(779)
	2,033	3,038

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 2017: 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 2018	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company used in the basic loss per share calculation	**(4,712)**	(8,807)
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis loss per share	**628,686**	(Restated) 470,122

For the six months ended 30 June 2018 and 30 June 2017, no adjustment has been made to the basic loss per share amounts presented, as the effects of all convertible notes and share options are anti-dilutive.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share in respect of all the movements of the issued shares, including placing of shares and shares repurchased and cancelled has been retrospectively adjusted for share consolidation on 4 June 2018.

8. TRADE AND BILL RECEIVABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables, gross	**278,554**	280,371
Less: provision for impairment loss	**(57,678)**	(53,868)
Trade receivables, net	**220,876**	226,503
Bill receivables	**2,726**	3,420
	223,602	229,923

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 for one to three (31 December 2017: 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 (31 December 2017: 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 30 June 2018, except for the receivables from loans to customers of HK$141,965,000 (31 December 2017: HK$135,270,000) which bore fixed interest rates ranging from 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 period, based on the invoice date or the date of inception or renewal for loans and net of provision, is as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within 3 months	**73,786**	97,829
4 to 6 months	**14,118**	74,762
7 to 12 months	**77,964**	38,373
Over 12 months	**55,008**	15,539
	220,876	226,503

9. TRADE PAYABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**34,019**	25,567

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	Audited)
Within 3 months	**24,164**	17,045
4 to 6 months	**546**	556
7 to 12 months	**-**	2,060
Over 1 year	**9,309**	5,906
	34,019	25,567

The trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 days (31 December 2017: 30 days). The Group has finance risk management policies in place to ensure that all payables 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 Building 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 Business represented sales of pre-stressed high strength concrete pile, ready-mixed concrete and bricks which contributed approximately 46%, 41% and 13%, (six month ended 30 June 2017("**FP2017**"): approximately 47%, 38% and 15%) respectively to the revenue of PHC Pile and Others Business. The total revenue of the Group for FP2018 was mainly generated from the PHC Pile and Others Business.

Revenue from external customers for FP2018 was HK$194,525,000 compared with HK$136,619,000 reported in FP2017, which increased by approximately 42.4%. The increase in revenue for FP2018 was mainly attributable to the rise in sales of pre-stressed high strength concrete pile and ready-mixed concrete. PHC Pile and Others Business contributed approximately 97.2% and 96.5% of the total revenue of the Group for FP2018 and FP2017 respectively.

The operations of the PHC Pile and Others Business for FP2018 remained profitable. The segment profit for FP2018 was HK$17,102,000 as compared with HK$11,725,000 reported in FP2017.

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 FP2018. Expenses incurred during FP2018 were mainly legal and professional fees and staff costs for the Zhuhai Factory. Segment profit for FP2018 was HK$5,590,000, which was arisen from the over-provision of penalty and fine in previous years, as compared with segment loss of HK$909,000 reported in the FP2017.

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.

Money lending business contributed HK$5,662,000 to the revenue of the Group during FP2018 compared with HK$5,009,000 reported in FP2017, which increased by approximately 13.0% and represented interest income from loans granted to customers.

Other gains and losses, net

Other gains and losses, net for FP2018 amounted to HK$ 5,154,000 (FP2017: HK$2,035,000), represented an increase of 153.3%, mainly due to the increase in net provision for trade receivables and loss on disposal of property, plant and equipment. Other gains and losses, net for FP2018 consisted of net exchange loss of HK$1,640,000, net provision for impairment loss of trade receivables of HK$4,654,000, net loss arising on financial assets at fair value through profit or loss of HK$442,000, provision for impairment of prepayments, deposits and other receivables of HK$1,866,000, over-provision of penalty and fine of HK$ 6,274,000 and loss on disposal of property, plant and equipment of HK$2,826,000.

Selling and distribution expenses

Selling and distribution expenses for FP2018 amounted to HK$28,492,000 (FP2017: HK$12,021,000), represented an increase of 137.0%. The increase in selling and distribution expenses for FP2018 was mainly due to the increase in sales revenue which results in increasing transportation costs accordingly, and the increase in the price charged by the transportation providers which in turn led to the higher transportation costs. Selling and distribution expenses for FP2018 mainly comprised of transportation costs of HK$27,188,000 and salaries for the salespersons of HK$905,000.

Administrative expenses

Administrative expenses for FP2018 amounted to HK$23,027,000 (FP2017: HK$22,851,000), representing an increase of 0.8%, which was mainly due to the increase in legal and professional fees. Administrative expenses for FP2018 mainly comprised of salaries and other benefits (including directors' remuneration) of HK$8,710,000 and legal and professional fees of HK$9,266,000.

Finance costs

Finance cost for FP2018 amounted to HK$1,688,000 (FP2017: HK$1,396,000), representing an increase of 20.9%, which was due to the increase in bank loan interest and the interest for bond issued during FP2018. Finance costs for FP2018 were interest expenses for the bank borrowings of HK$1,633,000 and interest expenses for bond of HK$55,000.

Profits before tax

Profit before tax was HK$2,810,000 for FP2018 compared with loss before tax of HK$2,964,000 reported in FP2017. It was mainly due to the increase in revenue and gross profit for FP2018 as compared with those reported in FP2017. The revenue for FP2018 was HK$200,187,000 compared with HK$141,628,000 reported in FP2017, which increased by 41.3%. The gross profit for FP2018 was HK$55,622,000 compared with HK$34,729,000 reported in FP2017, which increased by 60.2%. The gross profit ratio also increased from 24.5% in FP2017 to 27.8% in FP2018.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six month ended 30 June 2018 (six month ended 30 June 2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with equity fund raising activities, internally generated cash flow, banking facilities provided by its principal bankers in the PRC and bond issued to independent third parties. As at 30 June 2018, the total shareholders' equity of the Group was HK$575,079,000, representing a decrease of approximately 2.1% as compared with that as at 31 December 2017. As at 30 June 2018, the Group's cash and cash equivalents stood at HK$51,285,000 which were denominated in Hong Kong dollar and Renminbi whereas interest-bearing borrowings were HK$44,067,000. The annual interest rates of the borrowings for FP2018 ranged from 4.785% to 8.12% per annum. Approximately 57.2% of the total borrowings were accounted for as current liabilities of the Group. The above borrowings were denominated in Hong Kong Dollar and Renminbi. During FP2018, 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 23.9% as at 30 June 2018.

SIGNIFICANT INVESTMENT AND ACQUISITION

The Group did not have significant investment and acquisition during FP2018.

CAPITAL STRUCTURE

Convertible Notes

As at 30 June 2018, 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" 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.

On- market Share Repurchase

During the period from 19 January 2018 to 6 February 2018, and 6 February 2018, the Company repurchased an aggregate of 145,120,000 and 40,600,000 ordinary shares of HK$0.01 each in the share capital of the Company respectively (representing approximately 2.26% and 0.65 % of the entire issued Shares) on The Stock Exchange of Hong Kong Limited pursuant to the general mandate to repurchase Shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 6 June 2017. The highest purchase price per Share was HK$0.058 and the lowest purchase price per Share was HK$0.051, and an aggregate of HK$9,957,000 (before brokerage and expenses) was utilized by the Company for such repurchases. The Company has cancelled an aggregate of 145,120,000 and 40,600,000 of the repurchased Shares on 8 February 2018 and 9 March 2018, respectively. Details of the aforesaid shares repurchases were disclosed in the Company's announcement dated 19 January 2018, and Next Day Disclosure Return dated from 19 January 2018 to 9 March 2018.

Share Consolidation

As disclosed in the Company's announcement dated 18 April 2018, the Board proposed to put forward to the shareholders of the Company (the "**Shareholders**") a proposal of the share consolidation (the "**Share Consolidation**") on the basis that every ten (10) issued and unissued existing shares of a par value of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of a par value of HK$0.10 each in the share capital of the Company (the "**Proposed Resolution**"). The Proposed Resolution was duly passed by the Shareholders by way of poll at the special general meeting of the Company held on 1 June 2018. All the conditions precedent of the Share Consolidation have been fulfilled and the Share Consolidation has become effective on 4 June 2018. The board lot size for trading on the Stock Exchange will remain as 20,000 shares. Details of the Share Consolidation were disclosed in the Company's announcements dated 18 April 2018, 8 May 2018, 10 May 2018 and 1 June 2018 and the circular of the Company dated 10 May 2018.

Rights Issue and its Termination

On 28 June 2018 (after trading hours), the Company entered into the underwriting agreement with Kingston Securities Limited and Business Century Investments Limited (collectively, the "**Underwriters**") with respect to the rights issue (the "**Underwriting Agreement**"). The Company proposed to implement the rights issue on the basis of one (1) rights share (the "**Rights Share**") for every two (2) existing shares in issue and held on the Record Date (being 23 July 2018) by issuing not less than 312,068,162 Rights Shares at the subscription price of HK$0.188 per Rights Share and not more than 325,458,162 Rights Shares (assuming all the share options granted under the share option scheme of the Company having been exercised in full, but there is no other changes in the issued share capital of the Company from the date of the announcement of the Company dated 28 June 2018 up to and including the Record Date). On 25 July 2018 (after trading hours), under the Company's then circumstances, the Company and the Underwriters mutually agreed to terminate the Underwriting Agreement. As a result of the termination, all of the terms and conditions of the Underwriting Agreement shall cease to have any further effect and each of the parties to the Underwriting Agreement shall be released from all obligations under the Underwriting Agreement with effect from 25 July 2018. Accordingly, the Rights Issue did not proceed. Details of the Rights Issue and its termination were disclosed in the Company's announcements dated 28 June 2018 and 25 July 2018 and the prospectus of the Company in relation to the Rights Issue dated 24 July 2018.

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.

Upon the date of 4 June 2018, the Share Consolidation becoming effective, the exercise prices and the number of Consolidated Shares were adjusted to HK$ 1.682 and 26,780,000 Shares respectively falling to be issued in respect of the outstanding Share Options in accordance with the terms and conditions of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance dated 5 September 2005 issued by the Stock Exchange. No share options were exercised, cancelled or lapsed during FP2018.

Further Change in Use of Proceeds

As disclosed in the announcement of the Company dated 24 November 2017 and the annual report of the Company for the year ended 31 December 2017, the Board intended to allocate the net proceeds (the ''**Net Proceeds**'') from the placing of approximately HK$73.10 million as to (the ''**Change in Use of Proceeds**''): (a) approximately HK$30.20 million for the development of financial services business; (b) approximately HK$8.50 million for general working capital of the Group; and (c) approximately HK$34.40 million for the Acquisitions (as defined in the announcement of the Company dated 21 November 2017) (the ''**Proceeds for Intended Acquisitions**''). As disclosed in the announcement of the Company dated 6 February 2018, the parties to the Acquisitions had been engaging in further negotiations.

In view of the above circumstances, as disclosed in the announcement of the Company dated 26 July 2018, the Board had resolved: (a) to apply part of the Proceeds for Intended Acquisitions in the sum of approximately HK$12.54 million towards the development of financial services business; (b) to apply part of the Proceeds for Intended Acquisitions in the sum of approximately HK$5.1 million towards general working capital; and (c) to apply the remaining part of the Proceeds for Intended Acquisitions in the sum of approximately HK$9.96 million towards Share buyback.

PLEDGE OF ASSETS

As at 30 June 2018, the Group's certain buildings of HK$36,010,000, certain prepaid land lease payments of HK$23,425,000 and certain plant and machinery of HK$3,358,000 were used to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 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 in a timely and effective manner.

COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for the office premises are negotiated for one to three (31 December 2017: one to three) years.

As at 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 **HK$'000**	31 December 2017 HK$'000
— Within one year	**5,065**	2,108
— In the second to fifth years inclusive	**9,811**	155
	14,876	2,263

CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, the Company did not have any material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 24 July 2018, officers of the Independent Commission Against Corruption of Hong Kong (the ''ICAC'') visited the Company's principal place of business in Hong Kong to execute a search warrant , which required the Company to provide certain information in relation to a very substantial acquisition involving Joint Expert Global Limited and its subsidiaries which was completed in 2014. Mr. Leung Chi Fai("Mr. Leung"), an executive director and the then company secretary of the Company was arrested by the ICAC. On 27 July 2018 and 31 July 2018, in view of the ICAC investigation, Mr. Leung voluntarily requested the Group for the suspension of his executive duties as the executive director, and resigned as the company secretary, and a member of each of the remuneration committee and nomination committee, of the Company, and an authorised representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Apart from the above disclosed, none of the member of the Group or its employees is a subject of the ICAC investigation. The ICAC investigation will not have any material adverse effect on the Group and the business and operations of the Group remain normal. The Group has sufficient working capital to meet its present operational requirements. Mr. Leung has been released on bail without being charged and he continues to assist in the ICAC investigation. For details, please refer to the Company announcements dated 24 July 2018, 27 July 2018 and 31 July 2018.

Save as disclosed above and in the paragraphs headed "Capital Structure – Rights Issue and its Termination" and "Capital Structure – Further Change in Use of Proceeds" in this announcement, the Group has no other material event after 30 June 2018 and up to the date of this announcement that needs to be disclosed.

PROSPECT

The construction of the new economic belt in PRC will continue to heat up, and there will still be room for development in the domestic infrastructure market in the next few years, providing more market opportunities for related companies. However, the industry is also facing new challenges and adverse conditions. In recent years, the building materials industry has been affected by unfavorable factors such as rising raw material prices, market situation changes and intensified competition among peers. The future competition of the industry is largely reflected in the all-round business competition. In view of the above, the Group has been committed to diversifying its business and has been expanding its market presence and deepening its business experience in 2016 to expand the business scale of the Group.

On 12 September 2017, Sunway New Energy Industry Group Limited, a direct wholly-owned subsidiary of the Company, has entered into a memorandum of understanding (as supplemented) 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) (the ''**Target**''), subject to the entering into of the formal agreement. The Target owns 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. For details, please refer to the announcement of the Company dated 12 September 2017, 10 October 2017 and 25 April 2018. As at 30 June 2018, this possible acquisition was under the due diligence process and formal agreement has not been entered into.

Golden Elements Limited, a direct wholly-owned subsidiary of the Company, has entered into a memorandum of understanding (as supplemented) 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 the formal joint venture agreement. For details, please refer to the announcements of the Company dated 16 October 2017 and 23 April 2018. As at 30 June 2018, this possible joint venture was under the due diligence process.

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

With effect from 31 July 2018, Mr. Lam Kai Yeung has been re-designated from an independent non-executive Director to an executive Director.

With effect from 31 July 2018, Mr. Ng Yuk Lam has been appointed as an independent non-executive Director.

With effect from 3 August 2018, Mr. Liu Chenli has resigned as a non-executive Director.

For details of the above changes, please refer to the announcements of the Company dated 31 July 2018 and 3 August 2018.

Save as disclosed above, upon specific enquiry by the Company and based on the confirmation from the Directors, there is no change in the information of the Directors required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules for the six months ended 30 June 2018 and up to the date of this announcement.

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) 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 charged 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**'') as security for the debt owned to Zhuhai Small & Medium Enterprises. In view of the full and final settlement of the claim by Zhuhai Small & Medium Enterprises, the management of Zhuhai Hoston will apply to the court to release the said charge.

(b) 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 of Hong Kong (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.

(c) References are made to the announcements of the Company dated 11 November 2016, 15 December 2017 and the annual report of the Company for the year ended 31 December 2017 in relation to the civil complaints involving Zhuhai Hoston.

(i) 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 RMB1,000,000.00 and RMB3,500,000.00, 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 RMB839,314.00 as owing by Wang Tian (王天) to Wu Min (吳敏) and RMB2,378,174.00 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.

(ii) 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 廣東恒佳建材股份有限公司 (Guangdong Hengjia Building Materials Co., Ltd)* (''**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 (the "**Dispute**"), 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 at 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.

On 7 June 2018, the Xiangzhou People's Court had conducted a re-trial of the Dispute and made a civil ruling as follows: (1) Zhuhai Hoston shall be liable to pay the outstanding loan in the principal amount of RMB2,000,000 to Zhuhai Hechuan ; and (2) Zhuhai Hoston shall be liable to pay to Zhuhai Hechuan the default interest at the rate of 24% per annum on the principal amount of RMB2,000,000 within ten days from the date of the civil ruling (i.e. from 1 January 2015 up to the actual repayment date of the principal amount).

On 16 August 2018, Zhuhai Hoston filed an appeal at the Zhuhai Xiangzhou People's Court for the ruling. Taking into consideration the fact that the amount of the judgment debt involved is not significant, the Company considers that the civil ruling of the Dispute is unlikely to have any material adverse operational and financial impact on the Group.

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

(i) As of 20 November 2017, Zhuhai Hoston was indebted to Guangdong Hengjia for a total sum of RMB34,772,335.50 (the ''Guangdong Hengjia Debt'').

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 (the ''**Seized Tools and**

Equipment'') for a period of 2 years as security for the debt owed by Zhuhai Hoston to Guangdong Hengjia.

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.

On 27 March 2018, Yangjiang Jiangcheng People's Court ordered that after Guangdong Hengjia has paid RMB50,000 and the respective valuation and enforcement fees, the Seized Tools and Equipment at the auction reserve price of RMB2,666,544 was applied to settle part of the Guangdong Hengjia Debt of RMB2,570,744 whereas Zhuhai Hoston was still liable for the remaining amount of the Guangdong Hengjia Debt. After applying the Seized Tools and Equipment as partial settlement, Zhuhai Hoston is indebted to Guangdong Hengjia for a total sum of RMB32,201,591.50.

(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.

Terusi applied to the Yangjiang Jiangcheng People's Court to request for the Seized Tools and Equipment to settle the overdue trade payable. As disclosed in paragraph (d)(i) above, on 27 March 2018, the Yangjiang Jiangcheng People's Court confirmed the payment of RMB50,000 from Guangdong Hengjia to Terusi as full and final settlement of the claim.

The Company/its subsidiary as the plaintiff

(e) 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 sales and purchase agreement (the "**SPA**") for the VSA (the ''**SPA Legal Proceedings**''). 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 Proceedings 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 (c) 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.

As at the date of this announcement, there has been no progress since the Plaintiffs served their Further and Better Particulars of the Amended Statement of Claim and no judgment 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 Mr. Wang and Wang Tian (王天), the former directors of Zhuhai Hoston (collectively, 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.

On 20 June 2018, the Bureau considered that Mr. Wang did not commit any commercial crimes and therefore decided to withdraw the investigation against Mr. Wang.

(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.

Save as disclosed above, as at the date of this announcement, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

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

As at 30 June 2018, save as disclosed in the paragraph headed "Capital Structure – On-market Share Repurchase" in this announcement, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

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 2018 and as at the date of this announcement.

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 the three independent non-executive Directors, namely, Mr. Cong Yongjian, Mr. Ng Yuk Lam (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 2018 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 six months ended 30 June 2018.

PUBLICATION OF UNAUDITED INTERIM REPORT

The unaudited interim report 2018 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
Li Chongyang
Executive Director

Hong Kong, 31 August 2018

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

* *For identification purpose only*