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

(Incorporated in Bermuda with limited liability)

(Stock code: 58)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- Revenue for the year ended 31 December 2018 was HK$414,717,000, compared with HK$315,515,000 last year, representing an increase of HK$99,202,000.

- Gross profit for the year ended 31 December 2018 was HK$119,359,000, compared with HK$84,286,000 last year, representing an increase of HK$35,073,000.

- Loss attributable to owners of the Company was HK$50,501,000, compared with HK$7,784,000 last year, representing a increase of HK$42,717,000.

- Loss per share attributable to owners of the Company amounted to HK8.07 cents, compared with HK1.48 cents last year, increased by HK6.59 cents.

- No final dividend was proposed for the year ended 31 December 2018 (2017: Nil).

* *For identification purposes only*

The Board of Directors (the "Board") of Sunway International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative amounts for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Interest revenue		**11,374**	10,440
Other revenue		**403,343**	305,075
TOTAL REVENUE		**414,717**	315,515
Cost of sales		**(295,358)**	(231,229)
Gross profit		**119,359**	84,286
Other income		**7,079**	661
Other (losses)/gains, net	4	**(33,819)**	3,377
Selling and distribution expenses		**(75,215)**	(32,200)
Administrative expenses		**(48,248)**	(53,613)
Other expenses		**(3,449)**	(3,360)
Finance costs		**(3,173)**	(2,978)
LOSS BEFORE TAX	5	**(37,466)**	(3,827)
Income tax expense	6	**(6,160)**	(539)
LOSS FOR THE YEAR		**(43,626)**	(4,366)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(50,501)**	(7,784)
Non-controlling interests		**6,875**	3,418
		(43,626)	(4,366)
			(Restated)
Loss per share	8		
Basic and diluted		**HK(8.07 cents)**	HK(1.48 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(43,626)**	(4,366)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(7,740)**	6,442
Items that will not be reclassified to profit or loss:		
Revaluation of items of property, plant and equipment	**10,618**	9,956
Tax effect of revaluation of items of property, plant and equipment	**(2,654)**	(2,489)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**224**	13,909
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(43,402)**	9,543
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(50,143)**	(1,490)
Non-controlling interests	**6,741**	11,033
	(43,402)	9,543

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018 HK$'000	31 December 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**96,380**	107,588
Intangible assets		**–**	11,786
Prepaid land lease payments		**37,738**	23,982
Goodwill		**19,941**	20,982
Deferred tax assets		**11,705**	14,056
		165,764	178,394
CURRENT ASSETS			
Investments at fair value through profit or loss		**–**	9,397
Inventories		**25,822**	11,579
Trade and bill receivables	9	**184,584**	229,923
Prepayments, deposits and other receivables	10	**284,186**	215,490
Restricted bank deposits		**49**	66
Cash and cash equivalents		**23,156**	77,146
		517,797	543,601

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2018

	Notes	31 December 2018 HK$'000	31 December 2017 HK$'000
CURRENT LIABILITIES			
Trade payables	11	**61,890**	25,567
Contract liabilities		**3,422**	7,848
Accruals and other payables		**41,189**	40,015
Amount due to a non-controlling shareholder		**494**	521
Interest-bearing borrowings		**10,530**	26,722
Tax payable		**6,158**	8,630
		123,683	109,303
NET CURRENT ASSETS		**394,114**	434,298
TOTAL ASSETS LESS CURRENT LIABILITIES		**559,878**	612,692
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**8,639**	8,078
Provision for long service payment		**17**	20
Interest-bearing borrowings		**17,458**	17,415
		26,114	25,513
NET ASSETS		**533,764**	587,179
CAPITAL AND RESERVES			
Share capital		**62,414**	64,271
Convertible notes	12	**12,600**	12,600
Reserves		**378,755**	437,054
Equity attributable to owners of the Company		**453,769**	513,925
Non-controlling interests		**79,995**	73,254
TOTAL EQUITY		**533,764**	587,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Adoption of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

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

(a) Adoption of new and revised HKFRSs *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	As at 1 December 2017 *HK$'000*	As at 1 January 2017 *HK$'000*
Decrease in deposits received	(7,848)	(6,836)
Increase in contract liabilities	7,848	6,836

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

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

New/revised HKFRSs		**Effective date**
HKFRS 16	Leases	Accounting periods ("**AP**") beginning on or after 1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	AP beginning on or after 1 January 2019

HKFRS 16 Leases

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$12,352,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be required to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new/revised HKFRSs will have a significant impact on the Group's financial performance and 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 and related processing income (the "**PHC piles and others**"); and

– Money lending, provision of assets management services, advising on securities services and securities brokerage services (the "**Financial services**").

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

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

Segment assets exclude goodwill, deferred tax assets, investments at FVTPL, restricted 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 and other 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	PHC piles and others	Financial services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2018				
Segment revenue				
Revenue from external customers	**–**	**403,342**	**11,375**	**414,717**
Segment results	**(299)**	**27,061**	**4,531**	**31,293**
Reconciliation:				
Bank interest income				**58**
Other losses, net				**(33,819)**
Finance costs				**(3,173)**
Unallocated head office and corporate expenses				**(31,825)**
Loss before tax				**(37,466)**
Income tax expense				**(6,160)**
Loss for the year				**(43,626)**
As at 31 December 2018				
Segment assets	**1,716**	**387,546**	**128,751**	**518,013**
Unallocated assets				**165,548**
				683,561
Segment liabilities	**(21,163)**	**(77,631)**	**(1,084)**	**(99,878)**
Unallocated liabilities				**(49,919)**
				(149,797)

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

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

	PC steel bar	PHC piles and others	Financial services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2017				
Segment revenue				
Revenue from external customers	–	305,074	10,441	315,515
Segment results	(810)	7,481	(15,092)	(8,421)
Reconciliation:				
Bank interest income				24
Other gains, net				3,377
Finance costs				(2,978)
Unallocated head office and corporate expenses				4,171
Loss before tax				(3,827)
Income tax expense				(539)
Loss for the year				(4,366)
As at 31 December 2017				
Segment assets	1,694	337,900	148,827	488,421
Unallocated assets				233,574
				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	**PHC piles and others**	**Financial services**	**Corporate/ unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31 December 2018					
Other segment information:					
Capital expenditure	**–**	**18,000**	**88**	**–**	**18,088**
Depreciation	**–**	**(18,508)**	**(606)**	**(578)**	**(19,692)**
Amortisation of prepaid land lease payments	**–**	**(704)**	**–**	**–**	**(704)**
Reversal of provision/ (provision) for impairment loss of trade receivables, net	**–**	**483**	**(12,962)**	**–**	**(12,479)**
Write-off of trade receivables	**–**	**(289)**	**–**	**–**	**(289)**
Write-off of prepayments, deposits and other receivables	**–**	**(132)**	**–**	**–**	**(132)**
Reversal of provision for impairment loss of prepayments, deposits and other receivables, net	**–**	**64**	**–**	**–**	**64**

	PC steel bar	PHC piles and others	Financial services	Corporate/ unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2017					
Other segment information:					
Capital expenditure	–	1,151	720	1,232	3,103
Depreciation	–	(16,717)	(519)	(418)	(17,654)
Amortisation of prepaid land lease payments	–	(550)	–	–	(550)
Provision for impairment loss of trade receivables, net	–	(16,706)	–	–	(16,706)
Write-off of trade receivables	–	(3,192)	–	–	(3,192)
Provision for impairment loss of prepayments, deposits and other receivables, net	–	(2,950)	–	–	(2,950)

3. OPERATING SEGMENT INFORMATION *(Continued)*

(c) Geographical information

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

	Non-current assets As at 31 December		**Revenue Year ended 31 December**	
	2018	2017	**2018**	2017
Hong Kong	**22,659**	36,582	**11,375**	10,441
The PRC (excluding Hong Kong for the purposes of this report)	**131,400**	127,756	**403,342**	305,074
	154,059	164,338	**414,717**	315,515

(d) Information about major customer

The Group had no transactions with customer which contributed over 10% of its total revenue for the year ended 31 December 2018 (2017: Nil).

4. OTHER (LOSSES)/GAINS, NET

	2018	2017
	HK$'000	*HK$'000*
Exchange difference, net	**(6,500)**	8,728
Net loss arising on investments at FVTPL	**(457)**	(5,823)
Provision for impairment loss of goodwill	**(1,041)**	–
Provision for impairment loss of trade receivables, net	**(12,479)**	(19,335)
Reversal of provision/(provision) for impairment loss of prepayments, deposits and other receivables, net	**64**	(2,950)
Gain on disposal of property, plant and equipment	**439**	43
Write-off of trade receivables	**(289)**	(3,192)
Write-off of prepayments, deposits and other receivables	**(132)**	–
(Provision)/reversal of provision of compensation and cost for legal cases	**(1,638)**	4,386
Gain on disposal of assets classified as held-for-sale	**–**	21,520
Provision for impairment loss of intangible assets	**(11,786)**	–
	(33,819)	3,377

5. LOSS BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**214,532**	171,969
Depreciation	**19,692**	17,654
Amortisation of prepaid land lease payments	**704**	550
Auditor's remuneration	**1,080**	1,080
Operating lease payments in respect of land and buildings	**4,635**	5,494
Provision/(reversal of provision) of compensation and cost for legal cases	**1,638**	(4,386)
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	**33,974**	33,817
– reversal of provision for long service payment	**(3)**	(13)
– retirement benefits scheme contributions	**1,898**	1,841
	35,869	35,645

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2018. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2017 as the Group did not generate any assessable profits arising in Hong Kong during that year. Subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the standard rate of 25% (2017: 25%). No provision for overseas taxation is required since the Group has no assessable profit arisen from its operations outside Hong Kong and the PRC during the year (2017: Nil).

	2018	2017
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**6,591**	7,443
– Over-provision in prior years	**(992)**	(402)
	5,599	7,041
Current tax – Hong Kong Profits Tax		
– Provision for the year	**930**	–
Deferred tax	**(369)**	(6,502)
	6,160	539

7. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2018 and 2017.

8. LOSS PER SHARE

Loss per share

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

	2018	2017
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(50,501)**	(7,784)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis loss per share	**625,487,645**	526,636,631

Comparative figure of number of shares for the purpose of loss per share was adjusted on the assumption that the share consolidation had been effective in the prior year.

Diluted loss per share

No diluted loss per share for the years ended 31 December 2018 and 2017 is presented as the effects of all convertible notes and options are anti-dilutive for the years.

9. TRADE AND BILL RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables, gross	**241,980**	280,371
Less: provision for impairment loss	**(57,396)**	(53,868)
Trade receivables, net	**184,584**	226,503
Bill receivables	**–**	3,420
	184,584	229,923

9. **TRADE AND BILL RECEIVABLES** *(Continued)*

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. For trade receivables resulted from sales of goods and services, the credit period is generally one to three (2017: one to three) months from the date of billing, except for certain well-established customers, where the term is extended to six months. For trade receivables resulted from loans granted, the loan period is generally three to eighteen (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 31 December 2018, except for the receivables from loans to customers of HK$127,737,000 (2017: HK$135,270,000) which bore fixed interest rates ranging from 8% to 10% (2017: 8% to 10%) per annum and, of which HK$93,800,000 (2017: HK$110,000,000) were secured with charges over the assets owned by the borrowers and/or personal guarantees, trade receivables are non-interest bearing and unsecured.

(a) Ageing analysis

The ageing analysis of trade receivables, based on the invoice date or the date of inception or renewal for loans and net of provision, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**72,973**	97,829
4 to 6 months	**46,772**	74,762
7 to 12 months	**56,780**	38,373
Over 12 months	**8,059**	15,539
	184,584	226,503

(b) Impairment of trade receivables

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

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of year	**53,868**	33,917
Impairment loss recognised	**17,131**	19,763
Impairment loss reversed	**(4,652)**	(428)
Amounts written off	**(6,426)**	(2,629)
Exchange realignment	**(2,525)**	3,245
Balance at end of year	**57,396**	53,868

9. **TRADE AND BILL RECEIVABLES** *(Continued)*

(b) **Impairment of trade receivables** *(Continued)*

Included in the above provision for impairment loss was a full provision for individually impaired trade receivables of HK$17,131,000 (2017: HK$19,763,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers, their ongoing relationship with the Group and the ageing of those receivables. The Group does not hold any collateral over these balances.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Within 3 months past due	Over 3 months past due	Over 6 months past due	Over 12 months past due	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018						
Weighted average expected loss rate	**0%**	**3%**	**12%**	**15%**	**87%**	
Receivable amount	**163,264**	**7,906**	**1,694**	**4,773**	**64,343**	**241,980**
Loss allowance	**–**	**(202)**	**(202)**	**(708)**	**(56,284)**	**(57,396)**
At 31 December 2017						
Weighted average expected loss rate	0%	0%	0%	0%	91%	
Receivable amount	181,523	11,306	19,835	8,300	59,407	280,371
Loss allowance	–	–	–	–	(53,868)	(53,868)

10. **PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	2018	2017
	HK$'000	*HK$'000*
Prepayments *(note (a))*	**177,501**	106,401
Refundable deposits paid for acquisition of subsidiaries *(note (b))*	**106,637**	106,637
Other receivables	**76,919**	83,479
Less: provision for impairment loss *(note (c))*	**(80,431)**	(84,918)
	280,626	211,599
Deposits paid	**3,560**	3,891
	284,186	215,490

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

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

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

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

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

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

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of year	**84,918**	76,121
Impairment loss recognised	**66**	3,071
Impairment loss reversed	**(130)**	(121)
Exchange realignment	**(4,423)**	5,847
Balance at end of year	**80,431**	84,918

As at 31 December 2018, the Group's other receivables with a carrying amount before provision of HK$66,000 (2017: HK$3,071,000) were individually determined to be fully impaired. The individually impaired receivables related to debtors that were in financial difficulties and overdue for more than one year and management assessed that the recovery of these receivables is in doubt.

During the year ended 31 December 2015, the Group appointed an independent professional advisor to perform an investigation on certain prepayments, deposits and other receivables of a subsidiary of the Group. Based on the findings of the investigation, certain prepayments may involve possible commercial crime committed by two former directors of a subsidiary of the Group. The management assessed and considered the recoverability of these receivables is in doubt. The Group had filed a report to Zhuhai Public Security Bureau against the two former directors of a subsidiary of the Group and the management is awaiting the findings of the investigation from the Bureau. As at 31 December 2018 and 2017, certain prepayments, deposits and other receivables with a carrying amount before provision of HK$57,138,000 were individually determined to be fully impaired.

11. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**61,890**	25,567

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**47,131**	17,045
4 to 6 months	**10,010**	556
7 to 12 months	**14**	2,060
Over 1 year	**4,735**	5,906
	61,890	25,567

Trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 (2017: 30) days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

12. CONVERTIBLE NOTES

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

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

12. CONVERTIBLE NOTES *(Continued)*

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

During the year ended 31 December 2016, the Company redeemed convertible notes with an aggregate principal amount of HK$100,000,000 at its fair value of approximately HK$89,155,000 to settle the profit guarantee compensation receivables. No redemption was made during the years ended 31 December 2018 and 2017. As at 31 December 2018 and 2017, the unconverted convertible notes were under dispute with a third party and litigation is in progress.

As at 31 December 2018, the convertible notes of the Company with an aggregate principal amount of HK$30,000,000 (2017: HK$30,000,000) were still outstanding.

Reference is made to the Company's announcement dated 1 June 2018. Based on the opinions obtained from the legal advisers of the Company, in view of the ongoing legal proceedings, 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. Hence, there is no adjustment upon the share consolidation becoming effective.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

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

PHC Pile and Others Business

PHC Pile and Others Business is operated by a subsidiary of the Company, 廣東恒佳建材股份有限公司 Guangdong Hengjia Construction Materials Co., Ltd* ("**Guangdong Hengjia**") and its production factory is situated in Yangjiang City, Guangdong Province, the PRC. Guangdong Hengjia sells its products to customers located in Yangjiang City and its surrounding cities in Guangdong Province.

Revenue from the PHC Pile and Others Business represented mainly sales of pre-stressed high strength concrete pile, ready-mixed concrete and bricks which contributed approximately 36%, 49% and 13%, (for the year ended 31 December 2017 ("**FY2017**"): approximately 49%, 35% and 16%) respectively to the revenue of PHC Pile and Others Business. The total revenue of the Group for the year ended 31 December 2018 ("**FY2018**") was mainly generated from the PHC Pile and Others Business.

Revenue from external customers for FY2018 was HK$403,342,000 compared with HK$305,074,000 reported last year, which increased by approximately 32%. The increase in revenue for the period was mainly attributable to the rise in sales of ready-mixed concrete. PHC Pile and Others Business contributed approximately 97.3% and 96.7% of the total revenue of the Group for FY2018 and FY2017, respectively.

The operations of the PHC Pile and Others Business for FY2018 remained profitable. The segment profit for FY2018 was HK$27,061,000 as compared with HK$7,481,000 reported last year.

PC Steel Bar Business

PC Steel Bar Business is operated by a subsidiary of the Company, 珠海和盛特材股份有限公司 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 FY2018. Expenses incurred during the year were mainly staff costs and legal fees for the Zhuhai Factory. Segment loss for FY2018 was HK$299,000 as compared with HK$810,000 reported last year.

Financial Services Business

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

Money lending business contributed HK$11,375,000 to the revenue of the Group during FY2018 (FY2017: HK$10,441,000) which increased by 8.9% compared with last year and represented interest income from loans granted to customers.

Segment profit for FY2018 was HK$4,531,000 as compared with segment loss of HK$15,092,000 reported last year.

During the year ended 31 December 2017 and 2018, the Group's business in regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (Type 1, 4 and 9) had contributed minimal revenue to the Group. In view of the costs of maintaining the Type 1, 4 and 9 licences (which amounted to approximately HK$6,500,000 each year) and the minimal revenue contribution of such business segment to the Group, the Group intended to cease carrying on such business in the future.

Other gains and losses, net

Other gains and losses, net for FY2018 consisted of net exchange loss of HK$6,500,000, gain on disposal of property, plant and equipment of HK$439,000, net loss arising on investments at fair value through profit or loss of HK$457,000, provision for impairment loss of trade receivables, net of HK$12,479,000, reversal of provision for impairment loss of prepayments, deposits and other receivables, net of HK$64,000, provision of compensation and cost for legal cases of HK$1,638,000, impairment on goodwill of HK$1,041,000, impairment on intangible assets of HK$11,786,000 write-off of trade receivables of HK$289,000 and write-off of prepayments, deposit and other receivables of HK$132,000.

Other expenses

Other expenses for FY2018 mainly represented donations of HK$1,071,000.

Selling and distribution expenses

Selling and distribution expenses for FY2018 mainly comprised of transportation costs of HK$73,631,000 and salaries for the sale-persons of HK$1,567,000.

Administrative expenses

Administrative expenses for FY2018 mainly comprised of salaries and other benefits (including Directors' remuneration) of HK$16,552,000 and legal and professional fees of HK$13,733,000.

Finance costs

Finance costs for FY2018 were interest expenses for the bank borrowings of HK$3,005,000 and bond interest of HK$168,000.

FINAL DIVIDEND

The Board resolved not to declare any final dividend for the year ended 31 December 2018 (2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with equity fund raising activities, issuance of bond, internally generated cash flow and banking facilities provided by its principal bankers in the PRC. As at 31 December 2018, the total shareholders' equity of the Group was HK$533,764,000, representing a decrease of approximately 9.1% over last year. As at 31 December 2018, the Group's cash and cash equivalents stood at HK$23,156,000 whereas interest-bearing borrowings were HK$27,988,000. The annual interest rates of the borrowings for FY2018 ranged from 5.00% to 8.12% per annum. Approximately 37.6% 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 the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by equity, was approximately 28% as at 31 December 2018.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

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

CAPITAL STRUCTURE

Convertible notes

As at 31 December 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, the Company repurchased an aggregate of 185,720,000 ordinary shares (repurchased 140,000,000 shares in January 2018 and repurchased 45,720,000 shares in February 2018, respectively) of HK$0.01 each (before the share consolidation takes effect on 4 June 2018) in the share capital of the Company respectively (representing approximately 2.91% of the entire issued Shares) on the Stock Exchange 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$0.050, 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 the 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 remains 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.

On 13 November 2018 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter with respect to the Rights Issue. The Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares in issue and held on the Record Date by issuing not less than 312,068,162 Rights Shares (assuming there is no changes in the issued share capital of the Company from the date of the announcement of the Company dated 13 November 2018 up to and including the Record Date) and not more than 324,008,162 Rights Shares (assuming all the Share Options 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 13 November 2018 up to and including the Record Date), at the Subscription Price of HK$0.13 per Rights Share.

As disclosed in the Company's announcement dated 6 December 2018, the Company noted that one of the conditions precedent of the Underwriting Agreement may not be able to be fulfilled. Therefore, the Company and the Underwriter mutually agreed to terminate the Underwriting Agreement on 6 December 2018 and the Rights Issue has lapsed.

Share options

In accordance with the share options scheme approved and adopted by the Company on 17 June 2016 (the "**Share Option Scheme**"), 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. On 4 June 2018 on which the Share Consolidation became effective, the exercise prices and the number of consolidated Shares to be issued upon exercise of the outstanding share option were adjusted to HK$1.682 and 26,780,000 Shares respectively 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. During FP2018, a total of 2,900,000 share options were cancelled. No share options were granted, exercised or lapsed.

Issued share capital

As at 31 December 2018, after the Share Consolidation became effective, the issued shares of the Company was 624,136,324 (as at 31 December 2017: 6,427,083,246) ordinary shares of HK$0.01 each.

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: (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 31 December 2018, the Group's certain buildings of HK$35,973,000 and certain prepaid land lease payments of HK$22,833,000 were used to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 400 full-time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the Share Option Scheme.

FOREIGN EXCHANGE 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.

CONTINGENT LIABILITIES

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

EVENT AFTER THE REPORTING PERIOD

On 12 February 2019, the number of outstanding Share Options which have not been exercised was 23,880,000 (the "**Outstanding Share Options**"), each of which is exercisable at the exercise price of HK$1.682 per Share.

The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible participants for their contribution to, and continuing efforts to promote the interests of the Company and to enable the Company to recruit and retain high-caliber employees. As the exercise price of the Outstanding Share Options were comparatively high when compared with the market prices of the Shares at that time, which deters the Grantees from exercising the Outstanding Share Options to subscribe for the Shares, the Board considered that it was in the interest of the Company and the Grantees to cancel the Outstanding Share Options granted but not exercised.

Having considered the above reasons, on 12 February 2019, the Board resolved to cancel the Outstanding Share Options, subject to the written consent of the Grantees to cancel their respective Outstanding Share Options. No compensation shall be payable to the Grantees for cancellation of the Outstanding Share Options. For details, please refer to the Company's announcement dated 12 February 2019.

On 13 March 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber agreed to subscribe for and the Company agreed to issue and allot 124,800,000 Shares in cash at the Share Subscription Price of HK$0.136 per Subscription Share. The Subscription Shares represented (i) approximately 19.996% of the existing issued share capital of the Company as at 13 March 2019; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares. The gross proceeds from the Share Subscription was approximately HK$16,972,800. The net proceeds from the Share Subscription, after deducting related expenses, was approximately HK$16,722,800, representing a net price of approximately HK$0.134 per Subscription Share, which would be used for general working capital purposes. For details, please refer to the Company's announcement dated 13 March 2019.

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 with the costs to the Company.

    On 21 December 2018, the Company entered into a consent summons with Ms. Liu for full and final settlement of the costs order in favour of the Company in the Appeal, which was made an order on 31 December 2018.

    The court further gave directions on 31 December 2018 for the parties to consider fixing a case management summons but no case management summons has been fixed yet as of the date of this announcement.

(c) References are made to the announcements of the Company dated 11 November 2016, 15 December 2017 and the Annual Report 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 Hostonand 70% equity interest of Zhuhai Hoston in 廣東恆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 Intermedia 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 the 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.

(iv) Pursuant to the civil ruling issued by Xiangzhou People's Court on 25 April 2018, Zhuhai Hoston was ordered to repay an outstanding loan in the amount of RMB2,000,000 owed to Liu Shao Zhuang (劉少妝) and the overdue interests accrued on such outstanding loan. On 14 January 2019, Zhuhai Hoston made an application Xiangzhou People's Court to request for a suspension of the execution of the aforesaid judgment on the ground that the relevant court documents and notice of the legal proceedings were not delivered to Zhuhai Hoston such that Zhuhai Hoston was deprived of the right to defend its interest in the legal proceedings.

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 SPA (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. For the purpose of saving costs, the Plaintiffs have allowed the Defendants to withhold preparing their Amended Defence pending the Plaintiff's aforesaid application to further amend the Amended Statement of Claim.

As at the date of this announcement, 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.

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.

(1) Reference is made to the announcement of the Company dated 9 May 2017. Due to the outstanding research achievements of Shenzhen Institutes of Advanced Technology in the field of synthetic biology, on 5 May 2017, the Company entered into the SIAT 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 Shenzhen Institutes of Advanced Technology, in relation to the possible cooperation in establishing in the PRC a fund management company and an investment fund investing in synthetic bio-engineering industry.

(2) References are made to the announcements of the Company dated 12 September 2017 and 10 October 2017. On 12 September 2017, Sunway New Energy Industry Group Limited (新威新能源產業集團有限公司) ("**Sunway New Energy**"), a direct wholly-owned subsidiary of the Company, entered in to a memorandum of understanding (the "**Piped Gas MOU**") and on 10 October 2017, a supplemental agreement to the Piped Gas MOU with Divine Lands International Gas Holdings

Group Limited (神州國際燃氣控股集團有限公司) ("**Divine Lands**") and Mr. Deng Chao as the guarantor in relation to the possible acquisition of the entire issued share capital of Sino New Energy International Limited (中國超燃能源國際有限公司) ("**Sino New Energy**"), subject to the entering into of a formal agreement (collectively, the "**PG MOU**").

Sino New Energy owned 51% of the equity interest in Shaanxi Ranchao, a Sino-foreign equity joint venture company established in the PRC, and the other 49% of the equity interest in Shaanxi Ranchao is owned by 自貢市翠瑾商貿有限公司, a company incorporated in the PRC. Shaanxi Ranchao is principally engaged in the business of supplying piped gas to residential households, commercial and industrial users in certain districts in the PRC, and certain refueling stations in those districts in the PRC.

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

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

(4) References are made to the announcements of the Company dated 30 October 2017, 21 November 2017 and 6 February 2018. On 30 October 2017, Ever Vision Enterprises Limited 恆景企業有限公司 ("**Ever Vision**"), a direct wholly-owned subsidiary of the Company, entered in to a memorandum of understanding (the "**Waterloo MOU**") with Zong Family Investment Pty Ltd, Ms. Ren Dandan, Mr. Wang Yun (collectively, the "**W-Parties**") and Sunshine Property Waterloo

Pty Ltd (the "**Target Company**") in relation to the possible transactions involving a possible acquisition of the then existing shares in Target Company (representing approximately 39% of the then existing issued share capital of Target Company) by Ever Vision (or its nominees) from the W-Parties (or any of the W-Parties); and a possible joint venture between Ever Vision and the W-Parties (or any of the W-Parties being the then shareholder(s) of Target Company) for the development of the land situated in New South Wales, Australia, subject to the entering into of a formal agreements. The consideration, and other terms, of the possible acquisition will be determined by arm's length negotiations between Ever Vision and the W-Parties (or any of the W-Parties); and the terms of the possible joint venture will be determined by arm's length negotiations between Ever Vision and the W-Parties (or any of the W-Parties being the then shareholder(s) of Target Company), after the completion of the due diligence process on the possible transactions. Up to the date of this announcement, the Group has paid a deposit in the aggregate sum of approximately HK$6,637,000 pursuant to two conditional acquisition agreements both dated 21 November 2017 with Zong Family Investment Pty Ltd and Ms. Ren Dandan, respectively in relation to the possible acquisition (collectively, the "**Acquisition Agreements**").

UPDATES ON DIRECTOR'S INFORMATION

Upon specific enquiry by the Company and following confirmations from the Directors, save as set out below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Dr. Lam Huen Sum was appointed as an independent non-executive Director by Hua Xia Healthcare Holdings Limited (Stock Code: 8143) on 9 July 2018, listed on the GEM of the Stock Exchange of Hong Kong Limited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 31 December 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 year.

The Board considered that the trading price of the Shares at that time did not reflect their intrinsic value and believed that the Share Repurchases and subsequent cancellation of the repurchased Shares were in the interests of the Company and the Shareholders as a whole.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2018, except for the following deviations:

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

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

Under the Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. Mr. Huang Weidong, the chairman of the Board was unable to attend the annual general meeting of the Company held on 1 June 2018. Mr. Leung Chi Fai and Mr. Li Chongyang, the executive Director of the Company, attended the said annual general meeting to respond to the queries from the shareholders.

AUDIT COMMITTEE

The Audit Committee is comprised of three independent non-executive Directors, namely Mr. Ng Yuk Lam (chairman of the Audit Committee), Mr. Cong Yongjian and Dr. Lam Huen Sum. They together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The Committee is responsible for reviewing the Company's financial information, financial and accounting policies and practices adopted by the Group, compliance of Listing Rules and statutory requirements, risk management, internal control and financial reporting matters of the Group. The Committee also monitors the appointment, remuneration and function of the Group's external auditor.

The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2018 and was of the opinion that the results were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company's progress in implementing the Code as required under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PUBLICATION OF ANNUAL REPORT

The annual 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.hk0058.com 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, 26 March 2019

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 Directors, namely, 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 purposes only*