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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 2022

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 2022, together with the comparative figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2022

	<i>Notes</i>	Six months ended 30 June	
		2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
REVENUE	5	234,174	232,139
Cost of sales		(184,088)	(186,254)
Gross profit		50,086	45,885
Other income		1,511	993
Other (losses)/gains, net	6	(6,212)	4,656
Selling and distribution expenses		(37,463)	(34,794)
Administrative expenses		(12,310)	(15,887)
Other expenses		(448)	(693)
Finance costs	7	(1,619)	(1,425)

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
LOSS BEFORE TAX	8	(6,455)	(1,265)
Income tax expenses	9	<u>(2,509)</u>	<u>(840)</u>
LOSS FOR THE PERIOD		<u>(8,964)</u>	<u>(2,105)</u>
Loss for the period attributable to:			
Owners of the Company		(9,175)	(2,035)
Non-controlling interests		<u>211</u>	<u>(70)</u>
		<u>(8,964)</u>	<u>(2,105)</u>
		2022	2021
Loss per share	10		
Basic and diluted (HK cents)		<u>(5.11)</u>	<u>(1.13)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(8,964)</u>	<u>(2,105)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	<u>(10,384)</u>	<u>5,963</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(10,384)</u>	<u>5,963</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u><u>(19,348)</u></u>	<u><u>3,858</u></u>
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	<u>(16,759)</u>	<u>2,637</u>
Non-controlling interests	<u>(2,589)</u>	<u>1,221</u>
	<u><u>(19,348)</u></u>	<u><u>3,858</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		106,250	116,229
Right-of-use assets		38,074	40,590
Goodwill		19,941	19,941
Deferred tax assets		6,520	7,086
		170,785	183,846
CURRENT ASSETS			
Inventories		31,337	27,985
Trade, bill and loan receivables	12	229,256	249,005
Prepayment, deposits and other receivables		34,581	59,303
Financial assets at fair value through profit or loss		523	6,726
Cash and cash equivalents		11,140	2,734
		306,837	345,753
CURRENT LIABILITIES			
Trade payables	13	119,471	161,363
Contract liabilities		4,666	2,851
Accruals and other payables		57,670	52,676
Lease liabilities		180	172
Amounts due to non-controlling interests		508	532
Amount due to a shareholder		10,677	5,677
Interest-bearing borrowings		16,809	14,849
Tax payable		9,575	7,717
		219,556	245,837

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NET CURRENT ASSETS	<u>87,281</u>	<u>99,916</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>258,066</u>	<u>283,762</u>
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	14,568	20,726
Lease liabilities	2,026	2,224
Deferred tax liabilities	8,684	8,676
	<u>25,278</u>	<u>31,626</u>
NET ASSETS	<u><u>232,788</u></u>	<u><u>252,136</u></u>
EQUITY		
Share capital	17,960	17,960
Convertible notes	12,600	12,600
Reserves	133,139	149,898
	<u>163,699</u>	<u>180,458</u>
Equity attributable to owners of the Company	163,699	180,458
Non-controlling interests	69,089	71,678
	<u>69,089</u>	<u>71,678</u>
TOTAL EQUITY	<u><u>232,788</u></u>	<u><u>252,136</u></u>

NOTES

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 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 3/F, Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong. Its major shareholder is Wealthy Port Holdings Limited, a company incorporated in Hong Kong and ultimately controlled by Mr. Chim Sai Yau Oscar.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group (the “**Interim Financial Information**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Interim Financial Information has been prepared in accordance with the same accounting policies applied in the 2021 annual financial statements, except for additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group for the six months ended 30 June 2022 as set out in note 3.

The preparation of the Interim Financial Information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since the 2021 annual financial statements. The Interim Financial Information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the HKFRSs.

The Interim Financial Information has been prepared on the historical cost basis except for certain financial instruments and certain property, plant and equipment that are measured at fair values or revalued amounts as appropriate.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Interim Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

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.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's Interim Financial Information:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs has no material impact on the Group's financial position and financial performance for the current and/or prior periods and/or on the disclosure set out in the Interim Financial Information.

The Group has not applied any new and amendments to HKFRSs that have been issued but not yet effective for the current accounting period.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors, being the chief operating decision maker (the “**CODM**”), for the purpose of monitoring segment performance and allocating resources between segments and that are used to make strategic decisions.

The Group has one reportable segment for both periods. The reportable segment is based on the information about the operations of the Group that management uses to make decisions.

Particulars of the Group's reportable segment is summarised as follows:

Sales and manufacturing of pre-stressed high strength concrete pile, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-concrete products and related processing income (the “**PHC piles and others**”)

The CODM considered the Group has only one single reporting and operating segment under HKFRS 8 Operating Segments, thus no segment information is presented.

Since over 90% of the Group's revenue and operating profit were generated in People's Republic of China (the “**PRC**”) for both periods and over 90% of the Group's non-current assets were located in the PRC, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major customer

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A (Note)	24,607	N/A
Customer B (Note)	N/A	33,444

Except for the above disclosures, no other customers contributed 10% or more to the Group's revenue for both reporting periods.

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers recognised at a point in time: Sales of PHC piles and others	<u>234,174</u>	<u>232,139</u>

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Exchange gain/(loss), net	73	(1,649)
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(1,289)	6,469
(Loss)/gain arising on change in fair value of financial assets at fair value through profit or loss	(4,196)	3,218
Loss on disposal of property, plant and equipment	–	(2,572)
Provision for compensation and cost for legal cases	(804)	(805)
Others	4	(5)
	<u>(6,212)</u>	<u>4,656</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,409	1,156
Interest on bond	112	112
Interest on lease liabilities	98	157
	<u>1,619</u>	<u>1,425</u>

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Crediting:		
Government grants	<u>(64)</u>	<u>–</u>
Charging:		
Depreciation of property, plant and equipment	9,190	11,540
Depreciation of right-of-use assets	858	2,945
Cost of inventories sold	134,340	133,284
Staff costs (including directors' remuneration):		
– Salaries, bonuses and allowances	21,179	21,796
– Retirement benefits scheme contributions	1,370	1,293
	<u>22,549</u>	<u>23,089</u>

During the six months ended 30 June 2022, the Group recognised government grants of HK\$64,000 in respect of Covid-19-related subsidies which relates to Employment Support Scheme provided by the Hong Kong government as a support. There were no unfulfilled conditions or contingencies relating to these government grants.

There was no forfeiture of retirement benefits scheme contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group for both reporting periods. As at the end of each reporting period, no forfeited contribution under the retirement benefits scheme of the Group is available to reduce the contribution payable in future years.

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
PRC Enterprises Income Tax		
– Current tax	1,595	755
– Under-provision in prior years	914	–
	2,509	755
Hong Kong Profits Tax		
– Current tax	–	85
	2,509	840

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2021. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 as the Group has no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

The PRC subsidiaries are subject to the PRC Enterprises Income Tax at 25% for the six months ended 30 June 2022 and 30 June 2021.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	(9,175)	(2,035)
	'000 (Unaudited)	'000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	179,600	179,600

As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation for both periods, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

11. DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 June 2022 and 30 June 2021, nor any dividend been proposed by the Board subsequent to the end of the reporting period.

12. TRADE, BILL AND LOAN RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables from contract with customers	254,710	276,769
Less: allowance for credit losses	(27,392)	(28,690)
	<hr/>	<hr/>
Trade receivables (net of allowance for credit losses)	227,318	248,079
Bill receivables	1,951	939
Less: allowance for credit losses	(13)	(13)
	<hr/>	<hr/>
Trade and bill receivables (net of allowance for credit losses)	229,256	249,005
Loan receivables	129,141	129,141
Less: allowance for credit losses	(129,141)	(129,141)
	<hr/>	<hr/>
Loan receivables (net of allowance for credit losses)	–	–
	<hr/>	<hr/>
Total trade, bill and loan receivables (net of allowance for credit losses)	229,256	249,005
	<hr/> <hr/>	<hr/> <hr/>

All trade and bill receivables (net of allowance for credit losses) are denominated in Renminbi (“**RMB**”) at the end of each reporting period.

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 PHC piles and other products, the credit period is generally one to three months from the date of billing, except for certain well-established customers, where the term is extended to six months. For loan receivables, the loan period is generally 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 2022, loan receivables of HK\$129,141,000 (as at 31 December 2021: HK\$129,141,000) (before allowance for credit losses) bore fixed interest rates ranging from 8% to 10% (as at 31 December 2021: 8% to 10%) per annum in accordance with respective loan agreements. According to the loan agreements / supplemental agreements, the loan receivables were secured with charges over certain unlisted securities and corporate or personal guarantees were provided, where applicable. However, in the opinion of the Directors, the enforceability of the collaterals, if any, was difficult. All of the loan receivables were past due at the end of each reporting period.

The aging analysis of trade and bill receivables (net of allowance for credit losses), based on the earlier of invoice date or revenue recognition date, is as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Within 3 months	147,617	159,079
4 to 6 months	55,357	48,815
7 to 12 months	26,282	41,111
	<u>229,256</u>	<u>249,005</u>

13. TRADE PAYABLES

The aging analysis of trade payables, based on invoice date, is as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Within 3 months	53,342	74,569
4 to 6 months	26,452	34,262
7 to 12 months	35,890	49,446
Over 12 months	3,787	3,086
	<u>119,471</u>	<u>161,363</u>

The average credit terms received from suppliers of the Group is one month. All trade payables are denominated in RMB at the end of each reporting period.

14. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings of the Group:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Buildings	56,503	59,184
Plant and machinery	20,882	21,873
Right-of-use assets	20,183	21,141
	<u>97,568</u>	<u>102,198</u>

In addition, the bank borrowings were secured by land and buildings held by a related company of a subsidiary of the Group and have a personal guarantee provided by the directors of a subsidiary and guarantee provided by non-controlling interests of the Group.

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**”).

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 24%, 65% and 11% respectively (six months ended 30 June 2021 (“**FP2021**”): approximately 28%, 58% and 14%) to the revenue of PHC Pile and Others Business of the Group for the six months ended 30 June 2022 (“**FP2022**”).

Revenue from external customers for FP2022 was HK\$234,174,000 compared with HK\$232,139,000 reported in FP2021, which increased by approximately 0.9%.

Other (losses)/gains, net

Other (losses)/gains, net for FP2022 amounted to loss of HK\$6,212,000 (FP2021: gain of HK\$4,656,000), represented a difference of HK\$10,868,000. Such difference was mainly due to loss on disposal of financial assets at fair value through profit or loss amounted to approximately HK\$1,289,000 and loss arising on change in fair value of financial assets at fair value through profit or loss amounted to approximately HK\$4,196,000 for FP2022 as compared to a total realised and unrealised profit of approximately HK\$9 million arising from financial assets at fair value through profit or loss for FP2021.

Selling and distribution expenses

Selling and distribution expenses for FP2022 amounted to HK\$37,463,000 (FP2021: HK\$34,794,000), represented an increase of 7.7%. The increase in selling and distribution expenses for FP2022 was mainly due to the increase in transportation costs. Selling and distribution expenses for FP2022 mainly comprised transportation costs of HK\$35,674,000.

Administrative expenses

Administrative expenses for FP 2022 amounted to HK\$12,310,000 (FP2021: HK\$15,887,000), representing a decrease of 22.5%, which was mainly due to the decrease in rental expenses. Administrative expenses for FP2022 mainly comprised staff costs (including directors' remuneration) of HK\$6,963,000 and legal and professional fees of HK\$903,000.

Finance costs

Finance cost for FP2022 amounted to HK\$1,619,000 (FP2021: HK\$1,425,000), representing an increase of 13.6%, which was due to the increase in bank borrowing interest during FP2022. Finance costs for FP2022 were interest expenses for the bank borrowings of HK\$1,409,000, interest expenses for bond of HK\$112,000 and interest on lease liabilities of HK\$98,000.

Loss before tax

Loss before tax was HK\$6,455,000 for FP2022 compared with loss before tax of HK\$1,265,000 reported in FP2021. It was mainly due to the increase in gross profit for FP2022 as compared with those reported in FP2021 and there are other losses for FP2022 as compared to other gains for FP2021. The gross profit for FP2022 was HK\$50,086,000 compared with HK\$45,885,000 reported in FP2021, which increased by 9.2%. The gross profit ratio also increased from 19.8% in FP2021 to 21.4% in FP2022.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022, equity attributable to owners of the Company was HK\$163,699,000, representing a decrease of approximately 9.29% as compared with that as at 31 December 2021. As at 30 June 2022, the Group's cash and cash equivalents stood at HK\$11,140,000 which were denominated in Hong Kong Dollar and Renminbi whereas total interest-bearing borrowings were HK\$31,377,000. The annual interest rates of the borrowings for FP2022 ranged from 3.85% to 7.92% per annum. Approximately 53.6% 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 FP2022, 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 total equity, was approximately 105% as at 30 June 2022.

SIGNIFICANT INVESTMENT AND ACQUISITION

Except for the investment in listed securities, the Group has no significant investment and acquisition during FP2022.

CAPITAL STRUCTURE

Convertible notes

As at 30 June 2022, 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 "Contingent Liabilities" and "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.

Share options

No share options were granted, exercised, cancelled or lapsed during FP2022 and FP2021.

PLEGGED OF ASSETS

Details of pledged of assets of the Group are set out in note 14 to Interim Financial Information.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had approximately 425 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.

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 did not have material capital commitments as at 30 June 2022 (31 December 2021: Nil).

CONTINGENT LIABILITIES

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.

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.

The amount of the claims by Ms. Liu, in relation to the convertible notes with a face value of HK\$15 million, was about HK\$40 million as per the Statement of Claim dated 29 January 2016. The convertible notes were issued in favour of the vendor as part of the consideration of the sale and purchase agreement dated 3 October 2013 (“**SPA**”). According to a legal opinion dated 22 August 2022 given by the Company's solicitors, upon the fundamental breach of the SPA, it is open for the Company to argue that the terms and conditions under the SPA has failed and the outstanding convertible notes are void and have no effect.

PROSPECT

Although the Sino-US trade war has been ongoing since 2018, the dispute has no material impact on the Group's operations. The outbreak of COVID-19 had a certain impact on the operations of the Group since early 2020 but the effects on the businesses of the Group was temporary. The local businesses started to resume in late February 2020 and the Group's operations gradually restored to normal level since mid-2020. According to Financial Times dated 28 July 2022, "China's central bank seeks to mobilise RMB1,000 billion to bailout for real estate projects".

According to a guideline jointly issued by the General Office of the Communist Party of China Central Committee of the PRC and the General Office of the State Council of the PRC dated 24 February 2021, China has unveiled plans to build the country's strength in the transport sector over the next 15 years, setting long-term goals for the industry, with the aim of developing a modern, high-quality and comprehensive national transport network. By 2035, the country's transport network should be convenient, cost-effective, green, intelligent and safe. Among them, there will be about 200,000 km of railways, 460,000 km of highways and 25,000 km of high-grade waterways, with 27 major coastal ports, 36 major inland ports, about 400 civil-transport airports and about 80 postal express-delivery hubs.

The Directors consider that such policies will have positive effects to the construction material industry in the PRC and thus can benefit the Group. In addition, the Group has been committed to expand the business scale by exploring new business, bringing new growth and momentum to the Group.

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

Upon specific enquiry by the Company and based on the 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 for the six months ended 30 June 2022 and up to the date of this announcement:

Mr. Choi Pun Lap was appointed as an executive director by Simplicity Holding Limited (stock code: 8367) on 26 April 2022. He has been the independent non-executive director of On Real International Holdings Limited (stock code: 8245) since 21 April 2022.

LEGAL PROCEEDINGS

As at the date of this announcement, the Company or its subsidiaries were involved in the following material legal proceedings:

1. Sunway Financial Management Limited (“Sunway FM”) as the plaintiff

Reference is made to the Company’s announcement dated 20 January 2020 in relation to provision of financial assistance and announcement dated 12 August 2020 in relation to clarification on audited annual results announcement, despite the issue of legal demand letters in August 2019, the six borrowers (and their guarantors, if applicable) (the “**Loan Debtors**”) who are independent third parties have failed to settle any outstanding loans and interests as at 31 December 2019. As a result, Sunway FM has taken the following legal proceedings against the Loan Debtors:

(a) *Huali Capital Investment Holding Co., Limited (“Huali Capital”)*

- (i) In respect of the loan advanced to Huali Capital (a company registered in Hong Kong), which was guaranteed by Tailor Wealth Group Limited (“**Tailor Wealth**”) (a company registered in the BVI), a Writ of Summons against Huali Capital had been issued in the High Court of Hong Kong under the action no. HCA 746/2020 on 21 May 2020 and had been served upon Huali Capital at its registered office on 1 June 2020. Gallant Solicitors and Notaries (“**Gallant**”), solicitors for the Company, had obtained judgment in default on 18 August 2020 (the “**Judgment**”). Since Huali Capital had failed to satisfy the Judgment, a statutory demand was served on Huali Capital on 7 October 2020. The Company filed a petition for winding up against Huali Capital on 18 November 2020. On 17 February 2021, a Winding Up Order was granted by the Court. Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung of RSM Corporate Advisory (Hong Kong) Limited were appointed as the Joint and Several Provisional Liquidators on 17 February 2021 and they are in the progress of investigating the assets and liabilities of Huali Capital.

- (ii) In respect of the guarantor Tailor Wealth, legal advice had been obtained from a BVI legal firm, namely Appleby, to take legal action against Tailor Wealth. A Winding Up Order was made on 18 January 2021 and it was ordered that Tailor Wealth be liquidated by the Court. Mr. Matthew Richardson of Grant Thornton (British Virgin Islands) Limited, a licensed insolvency practitioner in BVI and Mr. David Bennett of Grant Thornton Recovery & Reorganisation Limited in Hong Kong had been appointed as Joint Liquidators. The Joint Liquidators reported that they were yet to receive a response from a number of the parties identified and contacted previously. From the records and information received, there was no evidence of any assets held by Tailor Wealth.

(b) *Mei Rui Group Limited (“Mei Rui”)*

In respect of the loan advanced to Mei Rui (a company registered in the BVI), legal advice had been obtained from Appleby to take legal action against Mei Rui. A Winding Up Order was made on 18 January 2021 and it was ordered that Mei Rui be liquidated by the Court. Mr. Matthew Richardson and Mr. David Bennett had been appointed as the Joint Liquidators.

Upon Mei Rui’s request, the Joint Liquidators are informed to withhold the liquidation procedure until further notice as the parties are in the course of negotiating settlement on repayment of indebtedness.

(c) *Shenzhen Siping Investment Company Limited (“Shenzhen Siping”)*

In respect of the loan advanced to Shenzhen Siping (a company incorporated in the PRC), legal advice had been obtained from a legal firm in the Mainland China, namely Zhuoxin Law Firm, to commence legal actions against Shenzhen Siping and 郑肇宏 (“**Mr. Zheng**”), the director of Shenzhen Siping, for the recovery of the outstanding loan receivables in August 2020. The Company has applied to withdraw the claim against Shenzhen Siping and Mr. Zheng on the ground that there is insufficient evidence to proceed with the claim. The Company is now waiting for the refund of half of the costs of the legal action from Shenzhen Qianhai Cooperation Zone People’s Court.

(d) *Fuzhou Xufa Trading Company Limited (“Fuzhou Xufa”)*

In respect of the loan advanced to Fuzhou Xufa (a company incorporated in the PRC), legal advice had been obtained from Zhuoxin Law Firm to commence legal action against Fuzhou Xufa for the recovery of outstanding loan receivables. Subsequently, Fuzhou Xufa contacted Sunway FM that it wished to negotiate for settlement of the debt on the condition that the legal action be withdrawn. A cheque in the sum of HK\$1 million was tendered to Sunway FM as earnest money for settlement negotiation and it has applied for refund of half of the costs of the legal action from Fuzhou Immediate People’s Court and is now waiting for the refund. On 21 September 2020, Sunway FM accepted Fuzhou Xufa’s request for settlement negotiation. Sunway FM therefore instructed Zhuoxin Law Firm to notify the Court of its intention to withdraw the case for settlement negotiation. Sunway FM has been advised by Zhuoxin Law Firm that it can resume the Court case if the settlement negotiation does not become fruitful.

However, final settlement has not been reached yet due to lasting travel restrictions. Hence, Sunway FM will consider to instruct Zhuoxin Law Firm to recommence legal action against Fuzhou Xufa for the recovery of outstanding loan receivables.

(e) *Charmate Development Limited (“Charmate”)*

- (i) In respect of the loans advanced to Charmate (a company registered in the BVI) which were guaranteed by Mr. Chen Zhiguo 陈志国 (“**Mr. Chen**”) (being a Chinese national), legal advice had been obtained from Appleby to take legal action against Charmate. A Winding Up Order was made on 18 January 2021 and it was ordered that Charmate be liquidated by the Court. Mr. Matthew Richardson and Mr. David Bennett had been appointed as the Joint Liquidators. The Joint Liquidators reported that they were yet to receive a response from a number of the parties identified and contacted previously. From the records and information received, there was no evidence of any assets held by Charmate.
- (ii) Legal action for the recovery of outstanding loan receivables from Mr. Chen, the guarantor, has been commenced in Fujian Putian Intermediate People’s Court. Zhuoxin Law Firm, Sunway FM’s PRC legal representative, and Mr. Chen’s legal representative attended a hearing on 26 October 2021, in which both parties had submitted evidence.

The Court held that Mr. Chen be required to pay to Sunway FM for all outstanding loan principal with interest and related legal expenses within 10 days from the Court's first judgment dated 25 March 2022. However, Sunway FM is now under progress to apply for enforcement of the said first judgment accordingly pursuant to the Court's second judgment dated 30 May 2022 because it has not yet been repaid for anything.

(f) *Fuzhou Dongye Trading Company Limited* (“**Fuzhou Dongye**”)

In respect of the loan advanced to Fuzhou Dongye and the subsequent assignment of loan to Sky Long Group Limited (“**Sky Long**”), legal advice had been obtained from a Samoa legal firm, namely Leung Wai Law Firm as to the most cost-effective way to recover the loan receivables from Sky Long. It has been noted that Sky Long is the holding company of Tailor Wealth which is the holding company of Huali Capital. Since winding up and enforcement actions have been taken against Tailor Wealth and Huali Capital, actions will be taken against Sky Long after the result of the liquidation of Tailor Wealth in the BVI and Huali Capital in Hong Kong in order to save costs.

2. **Sunway New Energy Industry Group Limited as the plaintiff**

References are made to the announcements of the Company dated 12 September 2017, 10 October 2017 and 25 April 2018 in relation to the memorandum of understanding dated 12 September 2017 (as supplemented on 10 October 2017 and 25 April 2018) (the “**MOU**”) entered into among Sunway New Energy Industry Group Limited (新威新能源產業集團有限公司) (a wholly-owned subsidiary of the Company) (“**Sunway New Energy**”), Divine Lands International Gas Holdings Group Limited (神州國際燃氣控股集團有限公司) (the “**Vendor**”) and Deng Chao (鄧超) (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) (the “**Possible Acquisition**”).

Pursuant to the MOU, Sunway New Energy had paid in cash an earnest money in the sum of HK\$100,000,000 (the “**Refundable Earnest Money**”) to the Vendor. The Refundable Earnest Money shall be applied as part payment of the consideration for the Possible Acquisition upon signing of the formal agreement. Should Sunway New Energy decide not to proceed with the Possible Acquisition or Sunway New Energy and the Vendor fail to enter into the formal agreement within the exclusivity period, the Vendor shall refund the Refundable Earnest Money together with interest accrued thereon to Sunway New Energy.

Since Sunway New Energy decides not to proceed with the Possible Acquisition and no formal agreement was entered into between Sunway New Energy and the Vendor within the exclusivity period, Sunway New Energy had requested the Vendor to return the Refundable Earnest Money. However, the Vendor fails to return the Refundable Earnest Money to Sunway New Energy.

Reference is made to the announcement of the Company dated 2 July 2019 on which Sunway New Energy had filed a writ with the Sichuan Le Shan Intermediate People's Court* (四川省樂山市中級人民法院) (the "**Court**") for the commencement of legal proceedings against, among others, the Vendor and the Guarantor for the return of the Refundable Earnest Money. On the same day, the Court had accepted the writ filed by Sunway New Energy.

According to the civil ruling by the Court on 16 July 2019, the Guarantor's assets with value within RMB100,000,000, being the shares of PRC companies as owned by the Guarantor (the "**Frozen Shares**"), were suspended for a period of three years. As advised by the Company's PRC Counsel dated 25 September 2020, the Frozen Shares, which were also under liquidation proceedings in some other legal cases, had to be released under the PRC laws. However, for prudence purpose and compliance with HKFRS 9, full impairment had already been made against the Refundable Earnest Money during the year ended 31 December 2019 in accordance with the valuation report.

As per the PRC Counsel's letters dated 18 March 2022 and 5 August 2022:

- (a) the Court held that both of the Vendor and the Guarantor be liable to refund the Refundable Earnest Money together with interest accrued thereon to Sunway New Energy. However, Sunway New Energy had not yet been refunded for anything because both of the Vendor and the Guarantor were found not to own any valuable and enforceable assets; and
- (b) in addition, in view of the huge net liabilities as shown by the latest audited report, the Frozen Shares were declared bankruptcy by the local court on 13 February 2022. It is expected that the bankruptcy procedures may be completed by the end of 2022.

3. The Company/its subsidiary as the plaintiff

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 Wang Tian (王天) 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. The Plaintiffs have filed a Notice of Intention of Proceed into Court on 10 November 2021.

On 29 July 2022, the Company’s solicitors was informed by Messrs. David Lo & Partners (“**DL**”) by way of a letter, amongst other things, that the Defendants had engaged a joint Counsel to prepare and enclose a draft Amended Defence and Counterclaim on behalf of both of the Defendants. DL asked the Company’s solicitors to confirm whether they had any objection to the Defendants’ filing of their Amended Defence and Counterclaim as per the enclosed draft. Since the proposed amendments in the draft Amended Defence and Counterclaim are substantial, counsel’s advice is being obtained thereon and the Company’s solicitors will revert to DL whether the Company will consent or object to the Defendants’ filing of their Amended Defence and Counterclaim soon.

Save as disclosed above and elsewhere in this announcement, 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

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 2022.

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 six months ended 30 June 2022 and as at the date of this announcement, except for the following deviation:

Identity of the chairman and chief executive and whether their roles are separate

Following the resignation of Mr. Li Chongyang, former Managing Director, and Mr. Fok Po Tin, former Chairman, on 27 August 2021 and 1 January 2022 respectively, the Company had no designated Director to act as a chairman or a chief executive. The responsibility of a chairman or a chief executive rests with the board of directors of the Company and the Company fails to comply with code provision C.2.1 of the Code contained in Appendix 14 to the Listing Rules.

The Company has made endeavors however more time is required to identify suitable candidate to be the chairman and chief executive in order to comply with the Code. The Company will continue with such endeavors and will comply with the Code as soon as possible.

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. Choi Pun Lap (chairman of the Audit Committee), Mr. Yu Shui Sang Bernard and Mr. Wong Yue Kwan Alan. The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2022 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 the required standard set out in the Model Code throughout the six months ended 30 June 2022.

PUBLICATION OF UNAUDITED INTERIM REPORT

The unaudited interim report 2022 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
Law Chun Choi
Executive Director and Company Secretary

Hong Kong, 25 August 2022

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Law Chun Choi and Mr. Lin Jincong, one non-executive Director, namely, Mr. Lum Pak Sum, and three independent non-executive Directors, namely, Mr. Choi Pun Lap, Mr. Yu Shui Sang Bernard and Mr. Wong Yue Kwan Alan.

* *For identification purpose only*