



SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058



**INTERIM REPORT
2022**

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CORPORATE INFORMATION

DIRECTORS

Executive Director:

Law Chun Choi

Lin Jincong

(appointed on 1 January 2022)

Lam Kai Yeung

(resigned on 10 January 2022)

Fok Po Tin (Chairman)

(resigned on 1 January 2022)

Non-executive Director:

Lum Pak Sum

Independent Non-executive

Director:

Choi Pun Lap

Yu Shui Sang Bernard

Wong Yue Kwan Alan

(appointed on 1 January 2022)

COMPANY SECRETARY

Law Chun Choi

LEGAL ADVISERS

As to Bermuda law:

Conyers Dill & Pearman

2901, One Exchange Square

8 Connaught Place

Central

Hong Kong

As to Hong Kong law:

Gallant Solicitors & Notaries,

5/F., Jardine House

1 Connaught Place

Central

Hong Kong

AUDITOR

Elite Partners CPA Limited

Certified Public Accountants

10/F, 8 Observatory Road

Tsim Sha Tsui

Kowloon

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Law Chun Choi

Lum Pak Sum

(appointed on 10 January 2022)

Lam Kai Yeung

(resigned on 10 January 2022)

AUDIT COMMITTEE

Choi Pun Lap *(Chairman)*

Yu Shui Sang Bernard

Wong Yue Kwan Alan

(appointed on 1 January 2022)

REMUNERATION COMMITTEE

Wong Yue Kwan Alan *(Chairman)*

(appointed on 1 January 2022)

Choi Pun Lap

Law Chun Choi

Yu Shui Sang Bernard

Fok Po Tin

(resigned on 1 January 2022)

NOMINATION COMMITTEE

Yu Shui Sang Bernard *(Chairman)*

(redesignated on 1 January 2022)

Choi Pun Lap

Lum Pak Sum

Wong Yue Kwan Alan

(appointed on 1 January 2022)

Fok Po Tin *(Chairman)*

(resigned on 1 January 2022)

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda



CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3/F, Mandarin Commercial House
38 Morrison Hill Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services
(Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

In Hong Kong:
Bank of Communication Co., Ltd,
Hong Kong Branch
Dah Sing Bank Limited

In the People's Republic of China:
Guangdong Yangdong Rural
Commercial Bank
China Construction Bank
Corporation
Industrial and Commercial Bank of
China Limited

WEBSITE

<http://www.hk0058.com>

STOCK CODE

The Stock Exchange of Hong Kong Limited: 58



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of Sunway International Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 together with comparative figures as follows:

		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Notes			
	4	234,174	232,139
Revenue			
Cost of sales		(184,088)	(186,254)
		50,086	45,885
Gross profit			
Other income		1,511	993
Other (losses)/gains, net	5	(6,212)	4,656
Selling and distribution expenses		(37,463)	(34,794)
Administrative expenses		(12,310)	(15,887)
Other expenses		(448)	(693)
Finance costs	6	(1,619)	(1,425)
		(6,455)	(1,265)
LOSS BEFORE TAX	7		
Income tax expenses	8	(2,509)	(840)
		(8,964)	(2,105)
LOSS FOR THE PERIOD			



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the Company		(9,175)	(2,035)
Non-controlling interests		211	(70)
		<u>(8,964)</u>	<u>(2,105)</u>
LOSS PER SHARE			
	9	2022	2021
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
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(8,964)	(2,105)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be subsequently reclassified to the profit or loss:		
Exchange differences on translation of foreign operations	(10,384)	5,963
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(10,384)	5,963
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(19,348)	3,858
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(16,759)	2,637
Non-controlling interests	(2,589)	1,221
	(19,348)	3,858

The accompanying notes form an integral part of these condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	106,250	116,229
Right-of-use assets	11	38,074	40,590
Goodwill		19,941	19,941
Deferred tax assets		6,520	7,086
		<u>170,785</u>	<u>183,846</u>
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	13	523	6,726
Cash and cash equivalents		11,140	2,734
		<u>306,837</u>	<u>345,753</u>
CURRENT LIABILITIES			
Trade payables	14	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
		<u>219,556</u>	<u>245,837</u>
Net current assets		<u>87,281</u>	<u>99,916</u>
Total assets less current liabilities		<u>258,066</u>	<u>283,762</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
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>232,788</u>	<u>252,136</u>
Capital and reserves			
Share capital	15	17,960	17,960
Convertible notes		12,600	12,600
Reserves		133,139	149,898
Equity attributable to owners of the Company		<u>163,699</u>	180,458
Non-controlling interests		69,089	71,678
TOTAL EQUITY		<u>232,788</u>	<u>252,136</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
As at 1 January 2021 (Audited)	17,960	602,284	12,600	228,958	509	17,500	7,787	10,119	(697,740)	199,977	73,072	273,049
Loss for the period	-	-	-	-	-	-	-	-	(2,035)	(2,035)	(70)	(2,105)
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	4,672	-	-	4,672	1,291	5,963
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	4,672	-	(2,035)	2,637	1,221	3,658
Transfer to statutory reserve	-	-	-	-	-	-	-	513	(513)	-	-	-
As at 30 June 2021 (Unaudited)	17,960	602,284	12,600	228,958	509	17,500	12,459	10,632	(700,288)	202,614	74,293	276,907
As at 1 January 2022 (Audited)	17,960	602,284	12,600	228,958	509	15,529	13,460	10,614	(721,458)	180,458	71,678	252,136
Loss for the period	-	-	-	-	-	-	-	-	(9,175)	(9,175)	211	(8,964)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(7,584)	-	-	(7,584)	(2,800)	(10,384)
Total comprehensive loss for the period	-	-	-	-	-	-	(7,584)	-	(9,175)	(16,759)	(2,589)	(19,348)
Transfer to statutory reserve	-	-	-	-	-	-	-	479	(479)	-	-	-
As at 30 June 2022 (Unaudited)	17,960	602,284	12,600	228,958	509	15,529	5,876	11,093	(731,110)	163,699	69,089	232,788

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash generated from/(used in) operating activities	<u>10,928</u>	<u>(1,186)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	<u>(162)</u>	<u>(564)</u>
Net cash used in investing activities	<u>(162)</u>	<u>(564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing borrowings	–	4,735
Repayment of lease liabilities	(181)	(2,646)
Repayment of interest-bearing borrowings	(2,810)	(8,154)
Advance from a shareholder	5,000	–
Net cash outflow arising on other financing activities	<u>(1,409)</u>	<u>(1,425)</u>
Net cash generated from/(used in) financing activities	<u>600</u>	<u>(7,490)</u>
Net increase/(decrease) in cash and cash equivalents	11,366	(9,240)
Cash and cash equivalents at the beginning of the reporting period	2,734	12,985
Effect of foreign exchange rate changes	<u>(2,960)</u>	<u>3,649</u>
Cash and cash equivalents at the end of the reporting period	<u><u>11,140</u></u>	<u><u>7,394</u></u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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.

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 2 to the condensed consolidated financial statements.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

(Continued)

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 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

2. 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.

3. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. SEGMENT INFORMATION (Continued)

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. SEGMENT INFORMATION (Continued)

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)	<u>N/A</u>	<u>33,444</u>

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.

4. 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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(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>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

6. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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, bonus and allowances	21,179	21,796
– Retirement benefits schemes 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

7. LOSS BEFORE TAX (Continued)

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.

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
PRC Enterprise 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

8. INCOME TAX EXPENSES (Continued)

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

9. 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	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	<u>(9,175)</u>	<u>(2,035)</u>

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share

	Six months ended 30 June	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares	<u>179,600</u>	<u>179,600</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

9. LOSS PER SHARE (Continued)

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.

10. 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.

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period under review, the Group acquired property, plant and equipment with a cost of approximately HK\$162,000 (six months ended 30 June 2021: HK\$564,000).

In the opinion of the Directors, the carrying amounts of property, plant and equipment as at 30 June 2022 and 2021 that are carried at revalued amounts do not differ significantly from their respective estimated fair values. Consequently, no revaluation surplus or deficit has been recognised during the six months ended 30 June 2022 and 2021.

The Group did not have any new lease agreements during the current interim period.

During the six months ended 30 June 2021, the Group entered into several new lease agreements with lease terms ranged from 1 to 10 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of HK\$2,503,000 and lease liabilities of HK\$2,503,000.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. TRADE, BILL AND LOAN RECEIVABLES

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. TRADE, BILL AND LOAN RECEIVABLES (Continued)

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 loans 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. TRADE, BILL AND LOAN RECEIVABLES (Continued)

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 follow:

	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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Listed securities classified as held for trading investments:		
– Equity securities listed in related stock exchange, at fair value	<u>523</u>	<u>6,726</u>

At the end of the reporting period, all financial assets at fair value through profit or loss (“FVTPL”) are stated at fair value. Fair value of listed securities classified as held for trading investments are determined with reference to quoted market closing price.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. 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
	<hr/> 119,471 <hr/>	<hr/> 161,363 <hr/>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

15. SHARE CAPITAL

	Number of shares		Amount	
	As at 31 December 2021 '000 (Audited)	As at 31 December 2022 '000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)	As at 31 December 2022 HK\$'000 (Unaudited)
Ordinary shares of HK\$0.1 each				
Authorised:				
At the beginning and end of the reporting period	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At the beginning and end of the reporting period	<u>179,600</u>	<u>179,600</u>	<u>17,960</u>	<u>17,960</u>

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

16. MATERIAL RELATED PARTY TRANSACTIONS

The amounts due to non-controlling interests/a shareholder are unsecured, interest-free and repayable on demand.

17. 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
	<hr/> 97,568 <hr/>	<hr/> 102,198 <hr/>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. 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 report. 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.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

Level 1	Level 2	Level 3	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000

As at 30 June 2022
(unaudited)

Fair value on a recurring basis

Financial assets at FVTPL:

– Equity securities listed in related Stock Exchange

<u>523</u>	<u>–</u>	<u>–</u>	<u>523</u>
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy (Continued)

Level 1	Level 2	Level 3	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000

As at 31 December 2021

(audited)

Fair value on a recurring basis

Financial assets at FVTPL:

– Equity securities listed in
related Stock Exchange

<u>6,726</u>	<u>–</u>	<u>–</u>	<u>6,726</u>
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The Group's policy is to recognise transfers into and out of fair value hierarchy at the end of the date of the events or change in circumstance that caused the transfer.

During the six months ended 30 June 2022 and year ended 31 December 2021, there were no transfers between level 1 and level 2, or transfers into or out of level 3.



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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 FP2022 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 Dollars 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 Dollars 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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 17 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Details of contingent liabilities of the Group are set out in note 18 to Interim Financial Information.

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”.



MANAGEMENT DISCUSSION AND ANALYSIS

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 report:



MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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:



MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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 鄭肇宏 (“**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.



MANAGEMENT DISCUSSION AND ANALYSIS

(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. 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 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. 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 陳志國 (“**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.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 report, as at the date of this report, 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.

* *For identification purpose only*



DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, none of the Directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”).

SHARE OPTION SCHEME

Share Option Scheme adopted on 17 June 2016 (the “Option Scheme”)

The Option Scheme was adopted on 17 June 2016. The purpose of the Option Scheme is to recognise and acknowledge the contributions or potential contributions made or to be made by the eligible participants to the Group and the entity in which the Group holds any equity interest (the “Invested Entity(ies)”), to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group and the Invested Entities, and to maintain or attract business relationship with the eligible participants whose contributions are or may be beneficial to the growth of the Group and the Invested Entities.

Eligible participants of the Option Scheme include employee (whether full-time or part-time including any executive director), officer (including any non-executive director and independent non-executive director), substantial shareholder, consultant, agent, adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons, or any company beneficially owned by any of the abovementioned category(ies) of persons, or any other person who satisfies the criteria set out in the Option Scheme.



DISCLOSURE OF ADDITIONAL INFORMATION

The Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from 17 June 2016 (being the date of approval and adoption of the Option Scheme). The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be granted under the Option Scheme and other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares of the Group in issue as at the date of adopting the Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted under the Option Scheme and other share option schemes of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company. Share options granted under the Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also a grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.



DISCLOSURE OF ADDITIONAL INFORMATION

A share option may be accepted by a participant within 21 days from the date of the offer of the option. The exercise period of the share options granted is determined by the directors in accordance with the terms of the Option Scheme, and commences from the date of acceptance of the offer of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The subscription price shall be determined by the board of directors and notified to a participant at the time the grant of the option(s) (subject to any adjustments made pursuant to the terms of the Option Scheme) is made to (and subject to acceptance by) the participant and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and (c) the nominal value of the shares.

A nominal consideration of HK\$1 is payable on acceptance of the offer of an option. Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting. Each option gives the holder the right to subscribe for one ordinary share in the Company.

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

As at the date of this report, no ordinary shares available for issue under the Option Scheme.



DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed "Directors' and chief executives' interests and short positions in shares and underlying shares" and "Share option scheme" as disclosed in the immediately preceding section, at no time during the six months ended 30 June 2022 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, so far as is known to the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Name	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Wealthy Port Holdings Limited (" Wealthy Port ") (Note 1)	Beneficial owner	73,693,706	41.03%
Mr. Chim Sai Yau, Oscar (Note 1)	Interest in controlled corporation	73,693,706	41.03%



DISCLOSURE OF ADDITIONAL INFORMATION

Name	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Business Century Investments Limited (" Business Century ") (Note 2)	Beneficial owner	12,873,166	7.17%
Xie Guilin (Note 2)	Interest in controlled corporation	12,873,166	7.17%
Everun Oil Co., Limited (" Everun Oil ") (Note 3)	Beneficial owner	17,316,200	9.64%
Chen Jingan (Note 3)	Interest in controlled corporation	17,316,200	9.64%

Notes:

1. These 73,693,706 Shares are beneficially held by Wealthy Port. The issued capital of Wealthy Port is held by Mr. Chim Sai Yau, Oscar. Under the SFO, Mr. Chim Sai Yau, Oscar is deemed to be interested in all the Shares held by Wealthy Port.
2. These 12,873,166 Shares are beneficially held by Business Century. The issued capital of Business Century is held by Ms. Xie Guilin. Under the SFO, Ms. Xie Guilin is deemed to be interested in all the Shares held by Business Century.
3. These 17,316,200 Shares are beneficially held by Everun Oil. The issued capital of Everun Oil is held by Mr. Chen Jingan. Under the SFO, Mr. Chen Jingan is deemed to be interested in all the Shares held by Everun Oil.

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any persons (other than the Directors and chief executive of the Company) having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF ADDITIONAL INFORMATION

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 report 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 and this report have been reviewed by the Audit Committee.



DISCLOSURE OF ADDITIONAL INFORMATION

REMUNERATION COMMITTEE

The Remuneration Committee, which comprises one executive Director, namely Mr. Law Chun Choi, and three independent non-executive Directors, namely Mr. Wong Yue Kwan Alan (chairman of the Remuneration Committee), Mr. Choi Pun Lap and Mr. Yu Shui Sang Bernard, is responsible for determining, reviewing and evaluating the remuneration packages of the executive Directors and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive Directors, namely Mr. Yu Shui Sang Bernard (chairman of the Nomination Committee), Mr. Choi Pun Lap and Mr. Wong Yue Kwan Alan, and one non-executive Director, namely Mr. Lum Pak Sum. It is responsible for the appointment of new Directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become Directors when necessary. In evaluating whether an appointee is suitable to act as a Director, the Committee will consider the experience, qualification and other relevant factors.

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.

By order of the Board
Sunway International Holdings Limited
Law Chun Choi
Executive Director and Company Secretary

Hong Kong, 25 August 2022

