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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 2023

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 2023, together with the comparative figures for the corresponding period in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>Notes</i>	Six months ended 30 June	
		2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
REVENUE	5	115,611	234,174
Cost of sales		(98,175)	(184,088)
Gross profit		17,436	50,086
Other income		302	1,511
Other losses, net	6	(1,365)	(6,212)
Selling and distribution expenses		(23,347)	(37,463)
Administrative expenses		(11,880)	(12,310)
Other expenses		(73)	(448)
Finance costs	7	(1,055)	(1,619)

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
LOSS BEFORE TAX	8	(19,982)	(6,455)
Income tax credit/(expenses)	9	1,061	(2,509)
		<hr/>	<hr/>
LOSS FOR THE PERIOD		<u>(18,921)</u>	<u>(8,964)</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		(13,569)	(9,175)
Non-controlling interests		(5,352)	211
		<hr/>	<hr/>
		<u>(18,921)</u>	<u>(8,964)</u>
Loss per share	10		
Basic and diluted (HK cents)		<u>(7.56)</u>	<u>(5.11)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(18,921)</u>	<u>(8,964)</u>
OTHER COMPREHENSIVE LOSS		
Item that may be subsequently reclassified to the profit or loss:		
Exchange differences on translation of foreign operations	<u>(7,725)</u>	<u>(10,384)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(7,725)</u>	<u>(10,384)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(26,646)</u></u>	<u><u>(19,348)</u></u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	<u>(19,230)</u>	<u>(16,759)</u>
Non-controlling interests	<u>(7,416)</u>	<u>(2,589)</u>
	<u><u>(26,646)</u></u>	<u><u>(19,348)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		105,453	116,112
Right-of-use assets		33,895	36,177
Goodwill		19,941	19,941
Deferred tax assets		13,989	14,929
		173,278	187,159
CURRENT ASSETS			
Inventories		27,535	21,852
Trade, bill and loan receivables	12	105,973	160,261
Prepayment, deposits and other receivables		35,546	43,336
Restricted bank deposits		14	15
Cash and cash equivalents		4,603	9,327
		173,671	234,791
CURRENT LIABILITIES			
Trade payables	13	61,157	99,065
Accruals and other payables		47,954	51,571
Contract liabilities		5,433	4,059
Lease liabilities		177	172
Amounts due to non-controlling interests		468	491
Amount due to a shareholder		15,677	13,677
Interest-bearing borrowings		10,730	18,035
Tax payables		6,062	7,596
		147,658	194,666

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NET CURRENT ASSETS	26,013	40,125
TOTAL ASSETS LESS CURRENT LIABILITIES	199,291	227,284
NON-CURRENT LIABILITIES		
Lease liabilities	1,697	1,878
Interest-bearing borrowings	8,392	9,558
Deferred tax liabilities	12,413	12,413
	22,502	23,849
NET ASSETS	176,789	203,435
EQUITY		
Share capital	17,960	17,960
Convertible notes	6,300	12,600
Reserves	96,295	109,225
Equity attributable to owners of the Company	120,555	139,785
Non-controlling interests	56,234	63,650
TOTAL EQUITY	176,789	203,435

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 controlling 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 2022 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 2023 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 2022 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 dollar 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 1 January 2023 for the preparation of the Group's Interim Financial Information:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax relating to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSs has had 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 period contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A (Note)	<u>N/A</u>	<u>24,607</u>

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

Note: The current period 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers recognised at a point in time:		
Sales of PHC piles and others	<u>115,611</u>	<u>234,174</u>

6. OTHER LOSSES, NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gain, net	66	73
Loss on disposal of financial assets at fair value through profit or loss	—	(1,289)
Loss arising on change in fair value of financial assets at fair value through profit or loss	—	(4,196)
Loss on disposal of property, plant and equipment	(586)	—
Provision for compensation and cost for legal cases	(845)	(804)
Others	—	4
	<u>(1,365)</u>	<u>(6,212)</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	859	1,409
Interest on bond	112	112
Interest on lease liabilities	84	98
	<u>1,055</u>	<u>1,619</u>

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Crediting:		
Government grants	<u>—</u>	<u>(64)</u>
Charging:		
Depreciation of property, plant and equipment	7,202	9,190
Depreciation of right-of-use assets	797	858
Cost of inventories sold	64,492	134,340
Staff costs (including directors' remuneration):		
— Salaries, bonuses and allowances	14,068	21,179
— Retirement benefits scheme contributions	1,191	1,370
	<u>15,259</u>	<u>22,549</u>

During the six months ended 30 June 2022, the Group received government grants of HK\$64,000 in respect of Covid-19-related subsidies relating 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. No government grants were received during the six months ended 30 June 2023.

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 (CREDIT)/EXPENSES

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC Enterprises Income Tax		
— Current tax	—	1,595
— (Over)/under-provision in prior years	<u>(1,061)</u>	<u>914</u>
	<u>(1,061)</u>	<u>2,509</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2023 and 30 June 2022. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2023 and 30 June 2022 as the Group has no assessable profits arising in Hong Kong.

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 June 2023 and 30 June 2022.

No provision for PRC Enterprise Income Tax has been made for the six months ended 30 June 2023 as the Group has no assessable profits arising in the PRC.

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	
	2023	2022
	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>(13,569)</u>	<u>(9,175)</u>
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>179,600</u>	<u>179,600</u>

As the Company's outstanding convertible notes 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 2023 and 30 June 2022, 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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Trade receivables from contract with customers	163,228	220,295
Less: allowance for credit losses	(57,255)	(60,034)
	<hr/>	<hr/>
Trade receivables (net of allowance for credit losses)	105,973	160,261
Bill receivables	825	865
Less: allowance for credit losses	(825)	(865)
	<hr/>	<hr/>
Trade and bill receivables (net of allowance for credit losses)	105,973	160,261
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)	105,973	160,261
	<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 2023, loan receivables of HK\$129,141,000 (as at 31 December 2022: HK\$129,141,000) (before allowance for credit losses) bore fixed interest rates ranging from 8% to 10% (as at 31 December 2022: 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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Within 3 months	39,990	79,140
4 to 6 months	23,934	36,952
7 to 12 months	42,049	44,169
	105,973	160,261

13. TRADE PAYABLES

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

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Within 3 months	22,170	37,985
4 to 6 months	15,467	33,492
7 to 12 months	21,064	23,952
Over 12 months	2,456	3,636
	61,157	99,065

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 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Buildings	49,557	55,819
Plant and machinery	20,079	22,706
Right-of-use assets	23,244	22,430
	<u>92,880</u>	<u>100,955</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 21%, 63% and 16% respectively (six months ended 30 June 2022 (“**FP2022**”): approximately 24%, 65% and 11%) to the revenue of PHC Pile and Others Business of the Group for the six months ended 30 June 2023 (“**FP2023**”).

Revenue from external customers for FP2023 was HK\$115,611,000 compared with HK\$234,174,000 reported in FP2022, which decreased by approximately 50.6% due to the weakening of property and construction market.

Other losses, net

Other losses, net for FP2023 amounted to HK\$1,365,000 (FP2022: HK\$6,212,000), represented a decrease of approximately 78.0%, which was mainly due to the absence of net loss of approximately HK\$5,500,000, as recorded in FP2022, arising from realised and unrealised fair value change of the financial assets at fair value through profit or loss.

Selling and distribution expenses

Selling and distribution expenses for FP2023 amounted to HK\$23,347,000 (FP2022: HK\$37,463,000), represented a decrease of 37.7%. The decrease in selling and distribution expenses for FP2023 was mainly due to the decrease in transportation costs. Selling and distribution expenses for FP2023 mainly comprised transportation costs of HK\$22,087,000.

Administrative expenses

Administrative expenses for FP2023 amounted to HK\$11,880,000 (FP2022: HK\$12,310,000), representing a decrease of 3.5%, which was mainly due to the decrease in staff costs. Administrative expenses for FP2023 mainly comprised staff costs (including directors' remuneration) of HK\$6,331,000 and electricity of HK\$829,000.

Finance costs

Finance cost for FP2023 amounted to HK\$1,055,000 (FP2022: HK\$1,619,000), representing a decrease of 34.8%, which was due to the decrease in bank borrowing interest during FP2023. Finance costs for FP2023 were interest expenses for the bank borrowings of HK\$859,000, interest expenses for bond of HK\$112,000 and interest on lease liabilities of HK\$84,000.

Loss before tax

Loss before tax was HK\$19,982,000 for FP2023 compared with loss before tax of HK\$6,455,000 reported in FP2022. It was mainly due to the decrease in revenue and gross profit for FP2023 as compared with those reported in FP2022. The gross profit for FP2023 was HK\$17,436,000 compared with HK\$50,086,000 reported in FP2022, which decreased by 65.2%. The gross profit ratio also decreased from 21.4% in FP2022 to 15.1% in FP2023 because of the decrease in selling prices arising from the weak domestic demand.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023, equity attributable to owners of the Company was HK\$120,555,000, representing a decrease of approximately 13.76% as compared with that as at 31 December 2022. As at 30 June 2023, the Group's cash and cash equivalents and restricted bank deposits stood at HK\$4,603,000 and HK\$14,000 respectively which were denominated in Hong Kong Dollar and Renminbi whereas total interest-bearing borrowings were HK\$19,122,000. The annual interest rates of the borrowings for FP2023 ranged from 3.65% to 7.50% per annum. Approximately 56.11% of the total interest-bearing borrowings were accounted for as current liabilities of the Group. The above borrowings were denominated in Hong Kong Dollar and Renminbi. During FP2023, 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 96.25% as at 30 June 2023.

SIGNIFICANT INVESTMENT AND ACQUISITION

The Group has no significant investment and acquisition during FP2023.

CAPITAL STRUCTURE

Convertible notes

As the Relevant Convertibles Notes have been surrendered as mentioned under the sections of "Contingent Liabilities" and "Legal Proceedings", the corresponding equity, in the amount of HK\$6,300,000, relating to the Relevant Convertibles Notes be written off to accumulated losses as a movement of reserves during the current interim period.

As at 30 June 2023, the Company had outstanding convertible notes with principal amount of HK\$15,000,000. Based on the opinions obtained from the legal adviser of the Company, in view of the on-going legal proceedings mentioned under the paragraphs 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 FP2023 and FP2022.

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 2023, the Group had approximately 343 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 2023 (31 December 2022: Nil).

CONTINGENT LIABILITIES

1. 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 amount of the claims by Ms. Liu, in relation to the convertible notes with a face value of HK\$15 million (the "**Relevant Convertibles Notes**"), 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, which was updated on 31 March 2023, 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.

In early 2023, Ms. Liu had requested to discontinue her claims against the Company provided that First Billion Global Limited, a wholly-owned subsidiary of the Company, and the Company discontinued their claims against Ms. Liu upon the receipt of the Relevant Convertible Notes by the Company's solicitors. According to the consent order dated 21 June 2023, Ms. Liu's claims against the Company was dismissed with no order as to costs.

2. Please refer the details to Note 1 under the section of "Legal Proceedings" relating to the Plaintiffs (comprising the Company and First Billion Global Limited) and the Defendants (comprising Xiao Guang Kevin (蕭光) and Wang Zhining (王志寧)). Pleadings have recently been amended on 16 September 2022, in that the Defendants have belatedly lodged counterclaims, in the total amount of HK\$262 million, against the Plaintiffs.

According to the Counsel's legal opinion dated 31 March 2023, the counterclaims, which may be disallowed, be recognised as contingent liability on the following groundings:

- (a) these counterclaims belatedly raised recently so that it may be time-barred and/or is an abuse of process of the court; and
- (b) the counterclaims may be dismissed because of the breaches, which are supported by an independent professional adviser's investigation report dated 24 July 2015, and misrepresentations made by the Defendants as stated in the Amended Statement of Claim.

PROSPECT

The Political Bureau of the Central Committee of the Communist Party of China held a meeting on 24 July 2023 to analyse and study the current economic situation and deploy economic work in the second half of the year. China is going to release the following six major policies to improve the economy:

1. To activate the capital market and boost investors' confidence

This shows that the top leaders of China are particularly positive this time and are of great significance to the development of the capital market.

2. To timely adjust and strengthen real estate policies

It is expected that the government will strengthen the demand-side support of the real estate market in the near future, such as the cancellation of purchase restrictions, the continuous loosening of housing loan policies and etc., so as to better meet residents' housing needs.

3. To play the role of aggregate and structural monetary policy tools

It is expected that there is room for the central bank to lower reserve requirements and interest rates.

4. To play the fundamental role of consumption in driving economic growth

It is expected that the PRC Government will further enhance the power of fiscal policy, such as the issuance of a certain scale of consumption coupons and consumption subsidies by local financial departments, the reduction or exemption of taxes, fees and etc., so as to promote consumption.

5. To better play the leading role of governmental investment and propose policies and measures to promote private investment

It is expected that the issuance of new special bonds will be accelerating. In addition, multiple measures may be taken to stabilise the basic market of foreign trade and foreign investment.

6. To effectively prevent and resolve local debt risks and formulate a package of debt refinancing plans

It is expected to speed up the resolution of hidden debts of local governments and steadily reduce the burden of local economic development.

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 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 2023 and up to the date of this announcement:

Mr. Lum Pak Sum had retired as an independent non-executive director with effect from the conclusion of the annual general meeting, as held on 2 June 2023, of Great China Holdings (Hong Kong) Limited (stock code: 0021).

LEGAL PROCEEDINGS

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

1. 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 were 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 claimed that the Defendants had fundamentally breached the terms and conditions of the SPA (the “**SPA Legal Proceedings**”). Accordingly, the Plaintiffs were 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 was a nominee of Mr. Wang and further claimed against the Defendants for misrepresentation regarding the undisclosed guarantees given by Zhuhai Hoston in favour of Wang Tian (王天) which had led to the Group's involvement in such litigation.

Pleadings had recently been amended on 16 September 2022, in that the Defendants had belatedly lodged counterclaims, as mentioned in Note 2 under the section of “Contingent Liabilities”, against the Plaintiffs. The Plaintiffs accordingly prepared a defence to such counterclaims which was also filed on 17 November 2022.

In early 2023, Ms. Liu had requested to discontinue her claims against the Company provided that the Plaintiffs discontinued their claims against Ms. Liu upon the receipt of the Relevant Convertible Notes by the Company's solicitors. According to the consent order dated 21 June 2023, the Plaintiffs' claims against Ms. Liu was dismissed with no order as to costs.

2. The Company's subsidiary as the defendant

- (a) Reference is made to the Company's announcement dated 11 November 2016 and the Annual Report 2022 in relation to the legal proceedings involving 寇金水 (Kou Jinshui) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.*) ("**Zhuhai Hechuan**"), independent third parties, as Plaintiffs and Zhuhai Hoston, an indirectly non-wholly owned (95%) subsidiary of the Company, as defendant. Upon the application of Kou Jinshui, who is also the legal representative of Zhuhai Hechuan, Zhuhai Hoston's 70% equity interest in Guangdong Hengjia was suspended for the three years from 23 August 2022 to 22 August 2025 (the "**Frozen Shares**") by the Xiangzhou People's Court pursuant to an execution order dated 9 August 2022.

As at 30 June 2023, the total outstanding amounts including interest due by Zhuhai Hoston to Kou Jinshui and Zhuhai Hechuan were approximately RMB2.1 million and RMB4.3 million respectively. The freezing of the Frozen Shares is only an assets preservation measure by litigants in pending lawsuits. Nevertheless, the Group retains to have control and ownership in such Frozen Shares and there will not have material impact on the operations of Guangdong Hengjia. As at the date of this announcement, the Frozen Shares are still in force pending the repayment of the outstanding debts that will be handled as soon as possible.

- (b) Reference is made to the Company's announcement dated 12 December 2022, Sunway FM, an indirectly wholly-owned subsidiary of the Company, received a statutory demand (the "**Statutory Demand**") on 9 December 2022 from Messrs. Gallant, a solicitors firm previously acting for Sunway FM, pursuant to Sections 178(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), demanding Sunway FM to pay an amount of approximately HK\$958,000 (the "**Outstanding Fees**"), being the outstanding fees and relevant interest incurred due and owed by Sunway FM for legal services previously provided.

The Statutory Demand requested Sunway FM to settle the Outstanding Fees within three weeks from the date of receipt of the Statutory Demand, failing which Messrs. Gallant may present a winding-up petition against Sunway FM. Given the Outstanding Fees are still in dispute, the Group is now seeking legal advice in respect of the alleged Outstanding Fees under the Statutory Demand.

3. 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. Although judgment in default had been obtained on 18 August 2020 (the “**Judgment**”), Huali Capital had failed to satisfy the Judgment, a statutory demand was served on Huali Capital on 7 October 2020. Sunway FM 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 had been 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 were informed to withhold the liquidation procedure until further notice as the parties had negotiated the settlement terms on repayment of indebtedness but there was no further progress.

(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. Sunway FM had applied to withdraw the claim against Shenzhen Siping and Mr. Zheng on the ground that there was insufficient evidence to proceed with the claim. Sunway FM had been refunded of part 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. 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 had been refunded of part of the costs of the legal action from Fuzhou Intermediate People’s Court.

According to the latest advice given by the PRC solicitors, there was insufficient evidence to proceed with the claim.

(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.
- (ii) Legal action for the recovery of outstanding loan receivables from Mr. Chen, the guarantor, had been commenced in Fujian Putian Intermediate People’s Court (the “**FPIP 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 FPIP Court held that Mr. Chen was liable to refund the outstanding loan principal, interest accrued thereon and the relevant legal and professional fees to Sunway FM (the “**First Judgement**”). According to Fujian Provincial Higher People’s Court’s judgement dated 30 May 2022, the First Judgement was confirmed and this should be the final decision.

As Mr. Chen has not followed the instruction of the First Judgement, his bank accounts, current assets and fixed assets are frozen for one year, two years and three years respectively by the FPIP Court pursuant to an execution order dated 27 October 2022 so as to attempt to fulfill the obligations as laid down by the First Judgement.

(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 had been noted that Sky Long was the holding company of Tailor Wealth which was the holding company of Huali Capital. Since winding up and enforcement actions had been taken against Tailor Wealth and Huali Capital, actions would 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.

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 2023.

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 2023 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 2023 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 2023.

PUBLICATION OF UNAUDITED INTERIM REPORT

The unaudited interim report 2023 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, 30 August 2023

As at the date of this announcement, the Board comprises one executive Director, namely, Mr. Law Chun Choi, 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*