



# SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**Stock Code: 00058**



INTERIM REPORT  
**2023**

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Director:

Law Chun Choi

### Non-executive Director:

Lum Pak Sum

### Independent Non-executive Director:

Choi Pun Lap

Yu Shui Sang Bernard

Wong Yue Kwan Alan

## 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:

Lam & Co.

19/F, Harbour Commercial Building

Nos. 122–124 Connaught Road

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

### **AUDIT COMMITTEE**

Choi Pun Lap (*Chairman*)  
Yu Shui Sang Bernard  
Wong Yue Kwan Alan

### **REMUNERATION COMMITTEE**

Wong Yue Kwan Alan (*Chairman*)  
Choi Pun Lap  
Law Chun Choi  
Yu Shui Sang Bernard

### **NOMINATION COMMITTEE**

Yu Shui Sang Bernard (*Chairman*)  
Choi Pun Lap  
Lum Pak Sum  
Wong Yue Kwan Alan

### **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:  
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 2023

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 2023 together with comparative figures as follows:

		<b>Six months ended 30 June</b>	
	Notes	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 HK\$'000 (Unaudited)
Revenue	4	<b>115,611</b>	234,174
Cost of sales		<b>(98,175)</b>	(184,088)
Gross profit		<b>17,436</b>	50,086
Other income		<b>302</b>	1,511
Other losses, net	5	<b>(1,365)</b>	(6,212)
Selling and distribution expenses		<b>(23,347)</b>	(37,463)
Administrative expenses		<b>(11,880)</b>	(12,310)
Other expenses		<b>(73)</b>	(448)
Finance costs	6	<b>(1,055)</b>	(1,619)
<b>LOSS BEFORE TAX</b>	7	<b>(19,982)</b>	(6,455)
Income tax credit/(expenses)	8	<b>1,061</b>	(2,509)
<b>LOSS FOR THE PERIOD</b>		<b>(18,921)</b>	(8,964)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO:</b>			
		<b>(13,569)</b>	(9,175)
	Owners of the Company		
	Non-controlling interests	<b>(5,352)</b>	211
		<b>(18,921)</b>	(8,964)
<b>LOSS PER SHARE</b>			
	Basic and diluted (HK cents)	<b>(7.56)</b>	(5.11)

Notes

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

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



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	105,453	116,112
Right-of-use assets	11	33,895	36,177
Goodwill		19,941	19,941
Deferred tax assets		13,989	14,929
		<b>173,278</b>	187,159
<b>CURRENT ASSETS</b>			
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
		<b>173,671</b>	234,791
<b>CURRENT LIABILITIES</b>			
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
		<b>147,658</b>	194,666
<b>Net current assets</b>		<b>26,013</b>	40,125
<b>Total assets less current liabilities</b>		<b>199,291</b>	227,284

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>1,697</b>	1,878
Interest-bearing borrowings		<b>8,392</b>	9,558
Deferred tax liabilities		<b>12,413</b>	12,413
		<b>22,502</b>	23,849
<b>NET ASSETS</b>			
		<b>176,789</b>	203,435
<b>Capital and reserves</b>			
Share capital	14	<b>17,960</b>	17,960
Convertible notes		<b>6,300</b>	12,600
Reserves		<b>96,295</b>	109,225
<b>Equity attributable to owners of the Company</b>			
		<b>120,555</b>	139,785
Non-controlling interests		<b>56,234</b>	63,650
<b>TOTAL EQUITY</b>			
		<b>176,789</b>	203,435

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 2023

	Attributable to owners of the Company										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		Non-controlling interests HK\$'000
As at 1 January 2022 (Audited)	17,960	602,284	12,600	228,958	509	15,529	13,460	10,614	(721,456)	180,458	71,678	252,136
(Loss)/profit 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
As at 1 January 2023 (Audited)	17,960	602,284	12,600	228,958	509	20,560	5,121	11,044	(759,271)	139,785	63,650	209,495
Loss for the period	-	-	-	-	-	-	-	-	(13,569)	(13,569)	(5,352)	(18,921)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(5,661)	-	-	(5,661)	(2,064)	(7,725)
Total comprehensive loss for the period	-	-	-	-	-	-	(5,661)	-	(13,569)	(19,230)	(7,416)	(26,646)
Convertible notes surrendered	-	-	(6,300)	-	-	-	-	-	6,300	-	-	-
As at 30 June 2023 (Unaudited)	17,960	602,284	6,300	228,958	509	20,560	(540)	11,044	(766,540)	120,555	56,234	176,799

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net cash generated from operating activities</b>	<b>500</b>	10,928
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for purchase of property, plant and equipment	(2,881)	(162)
Proceeds from disposal of property, plant and equipment	6	-
<b>Net cash used in investing activities</b>	<b>(2,875)</b>	(162)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	(169)	(181)
Repayment of interest-bearing borrowings	(6,972)	(2,810)
Advance from a shareholder	2,000	5,000
Net cash outflow arising on other financing activities	(1,055)	(1,409)
<b>Net cash (used in)/generated from financing activities</b>	<b>(6,196)</b>	600
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8,571)</b>	11,366
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>9,342</b>	2,734
<b>Effect of foreign exchange rate changes</b>	<b>3,846</b>	(2,960)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,617</b>	11,140

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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 controlling 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 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 2 to the Interim Financial Information.

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 2023

## 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 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 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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 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 Amendment to HKAS 12	Definition of Accounting Estimates 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.

## 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 2023

## 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 2023

## 3. SEGMENT INFORMATION (Continued)

### 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 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer A (Note)	N/A	24,607

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.

## 4. REVENUE

### Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers recognised at a point in time:		
Sales of PHC piles and others	115,611	234,174

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 5. OTHER LOSSES, NET

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 6. FINANCE COSTS

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 7. LOSS BEFORE TAX

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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 (CREDIT)/EXPENSES

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
PRC Enterprise Income Tax		
– Current tax	–	1,595
– (Over)/under-provision in prior years	(1,061)	914
	<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.

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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 2023 and 30 June 2022.

## 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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>

	Six months ended 30 June	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>179,600</u>	<u>179,600</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 9. LOSS PER SHARE (Continued)

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.

## 10. 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.

## 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\$2,881,000 (six months ended 30 June 2022: HK\$162,000).

In the opinion of the Board, the carrying amounts of property, plant and equipment as at 30 June 2023 and 30 June 2022 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 2023 and 30 June 2022.

The Group did not have any new lease agreements entered into during the six months ended 30 June 2023 and 30 June 2022.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 12. TRADE, BILL AND LOAN RECEIVABLES

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
Trade receivables from contracts with customers	<b>163,228</b>	220,295
Less: allowance for credit losses	<b>(57,255)</b>	(60,034)
Trade receivables (net of allowance for credit losses)	<b>105,973</b>	160,261
Bill receivables	<b>825</b>	865
Less: allowance for credit losses	<b>(825)</b>	(865)
Trade and bill receivables (net of allowance for credit losses)	<b>105,973</b>	160,261
Loan receivables	<b>129,141</b>	129,141
Less: allowance for credit losses	<b>(129,141)</b>	(129,141)
Loan receivables (net of allowance for credit losses)	<b>—</b>	—
Total trade, bill and loan receivables (net of allowance for credit losses)	<b>105,973</b>	160,261



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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 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 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 2023

### 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:

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
Within 3 months	<b>39,990</b>	79,140
4 to 6 months	<b>23,934</b>	36,952
7 to 12 months	<b>42,049</b>	44,169
	<hr/> <b>105,973</b> <hr/>	<hr/> 160,261 <hr/>

### 13. TRADE PAYABLES

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

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

## 14. SHARE CAPITAL

	Number of shares		Amount	
	As at 30 June 2023 '000 (Unaudited)	As at 31 December 2022 '000 (Audited)	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
<b>Ordinary shares of HK\$0.1 each</b>				
<b>Authorised:</b>				
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>
<b>Issued and fully paid:</b>				
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 2023

## 15. MATERIAL RELATED PARTY TRANSACTIONS

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

## 16. PLEDGED OF ASSETS

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

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
Buildings	<b>49,557</b>	55,819
Plant and machinery	<b>20,079</b>	22,706
Right-of-use assets	<b>23,244</b>	22,430
	<b>92,880</b>	100,955

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 2023

## 17. CONTINGENT LIABILITIES

- (a) 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\$15,000,000 (the "**Relevant Convertible Notes**"), was about HK\$40,000,000 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 17. CONTINGENT LIABILITIES (Continued)

- (b) 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\$262,000,000, 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:

- (i) these counterclaims belatedly raised recently so that it may be time-barred and/or is an abuse of process of the court; and
- (ii) 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.

# 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 Dollars 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 Dollars 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 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 FP2023 and FP2022.

## PLEDGED OF ASSETS

Details of pledged of assets of the Group are set out in note 16 to Interim Financial Information.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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

Details of contingent liabilities of the Group are set out in note 17 to Interim Financial Information.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 report:

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 report, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 17(b) 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 RMB2,100,000 and RMB4,300,000 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 report, the Frozen Shares are still in force pending the repayment of the outstanding debts that will be handled as soon as possible.



## MANAGEMENT DISCUSSION AND ANALYSIS

- (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, being the outstanding fees and relevant interest incurred due and owed by Sunway FM for legal services previously provided.

Sunway FM received a legal demand letter dated 30 August 2023 (the "**Demand Letter**") from Messrs. Gallant demanding Sunway FM to pay an amount of approximately HK\$754,000 (the "**Adjusted Outstanding Fees**"), being the revised outstanding amount of legal services previously provided as mentioned in the Statutory Demand.

The Demand Letter requested Sunway FM to settle the Adjusted Outstanding Fees within 21 days from the date of service of the Demand Letter, failing which Messrs. Gallant will apply for a Winding-up Order against Sunway FM without further notice. Given the Adjusted Outstanding Fees are still disputed by Sunway FM's former management, the Group is now seeking legal advice in respect of the alleged Adjusted Outstanding Fees under the Demand Letter.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

(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.

## MANAGEMENT DISCUSSION AND ANALYSIS

(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\$1,000,000 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 Immediate People’s Court.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

(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.

## MANAGEMENT DISCUSSION AND ANALYSIS

(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 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 2023.

\* *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 2023, 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\$5,000,000, 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 FP2023 and FP2022.

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 2023 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 2023, 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 (" <b>Wealthy Port</b> ") (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 (“ <b>Business Century</b> ”) (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 (“ <b>Everun Oil</b> ”) (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 2023, 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 2023 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 2023 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 2023.

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

Hong Kong, 30 August 2023