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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 2020

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 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | | Six months ended 30 June | |
|-----------------------------------|--------------|---------------------------------|--------------------|
| | | 2020 | 2019 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| Continuing operation | | | |
| REVENUE | 5 | 150,791 | 150,510 |
| Cost of sales | | <u>(125,414)</u> | <u>(117,212)</u> |
| Gross profit | | 25,377 | 33,298 |
| Other income | | 479 | 1,654 |
| Other gains and losses, net | 6 | (9,079) | (108,204) |
| Selling and distribution expenses | | (22,893) | (32,986) |
| Administrative expenses | | (13,664) | (19,178) |
| Other expenses | | (828) | (288) |
| Finance costs | 7 | <u>(1,781)</u> | <u>(1,764)</u> |

| | | Six months ended 30 June | |
|--|--------------|---------------------------------|-------------------------|
| | | 2020 | 2019 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| LOSS BEFORE TAX | 8 | (22,389) | (127,468) |
| Income tax expenses | 9 | <u>(455)</u> | <u>(902)</u> |
| Loss for the period from continuing operation | | (22,844) | (128,370) |
| Discontinued operation | <i>10</i> | | |
| Loss for the period from discontinued operation | | <u>(1,444)</u> | <u>(117,098)</u> |
| LOSS FOR THE PERIOD | | <u>(24,288)</u> | <u>(245,468)</u> |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (21,231) | (243,025) |
| Non-controlling interests | | <u>(3,057)</u> | <u>(2,443)</u> |
| | | <u>(24,288)</u> | <u>(245,468)</u> |
| Loss per share | <i>11</i> | | |
| From continuing and discontinued operations | | | |
| Basic and diluted (HK cents) | | <u>(2.57)</u> | <u>(35.2)</u> |
| From continuing operation | | | |
| Basic and diluted (HK cents) | | <u>(2.40)</u> | <u>(18.2)</u> |
| From discontinued operation | | | |
| Basic and diluted (HK cents) | | <u>(0.17)</u> | <u>(17.0)</u> |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | Six months ended 30 June | |
|---|---------------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| LOSS FOR THE PERIOD | <u>(24,288)</u> | <u>(245,468)</u> |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | |
| Items that may be subsequently reclassified to profit or loss: | | |
| Exchange differences on translation of foreign operations | (3,939) | 134 |
| Reclassification adjustment on deregistration of foreign subsidiaries | 1,511 | – |
| Items that will not be reclassified to profit or loss: | | |
| Loss on revaluation of property, plant and equipment | – | (12,315) |
| Tax effect of revaluation of property, plant and equipment | <u>–</u> | <u>3,202</u> |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | <u>(2,428)</u> | <u>(8,979)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | <u>(26,716)</u> | <u>(254,447)</u> |
| Total comprehensive loss for the period attributable to: | | |
| Owners of the Company | (22,691) | (248,801) |
| Non-controlling interests | <u>(4,025)</u> | <u>(5,646)</u> |
| | <u>(26,716)</u> | <u>(254,447)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

| | | 30 June 2020 | 31 December 2019 |
|--|--------------|--------------------------------|------------------------------|
| | <i>Notes</i> | <i>HK\$'000</i> (Unaudited) | <i>HK\$'000</i> (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 96,956 | 101,858 |
| Right-of-use assets | | 40,408 | 43,717 |
| Goodwill | | 19,941 | 19,941 |
| Deferred tax assets | | 7,082 | 7,203 |
| | | 164,387 | 172,719 |
| CURRENT ASSETS | | | |
| Inventories | | 29,808 | 32,971 |
| Trade, bill and loan receivables | 13 | 89,452 | 95,396 |
| Prepayment, deposits and other receivables | | 71,145 | 89,764 |
| Financial assets at fair value through profit or loss | | 6,225 | – |
| Restricted bank deposits | | 4 | 4 |
| Cash and cash equivalents | | 17,216 | 29,049 |
| | | 213,850 | 247,184 |
| CURRENT LIABILITIES | | | |
| Trade payables | 14 | 54,347 | 70,439 |
| Contract liabilities | | 3,305 | 4,760 |
| Accruals and other payables | | 24,109 | 28,741 |
| Lease liabilities | | 4,879 | 4,739 |
| Amounts due to non-controlling interests | | 475 | 483 |
| Amount due to a controlling shareholder | | 5,572 | 2,702 |
| Interest-bearing borrowings | | 27,901 | 40,376 |
| Tax payable | | 5,419 | 7,059 |
| | | 126,007 | 159,299 |

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|--|--|--|
| NET CURRENT ASSETS | <u>87,843</u> | <u>87,885</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>252,230</u> | <u>260,604</u> |
| NON-CURRENT LIABILITIES | | |
| Deferred tax liabilities | 3,931 | 3,931 |
| Provision for long service payment | 15 | 15 |
| Interest-bearing borrowings | 15,296 | 8,414 |
| Lease liabilities | – | 2,466 |
| | <u>19,242</u> | <u>14,826</u> |
| NET ASSETS | <u><u>232,988</u></u> | <u><u>245,778</u></u> |
| EQUITY | | |
| Share capital | 89,800 | 74,894 |
| Convertible notes | 12,600 | 12,600 |
| Reserves | 69,869 | 93,540 |
| | <u>172,269</u> | <u>181,034</u> |
| Equity attributable to owners of the Company | 172,269 | 181,034 |
| Non-controlling interests | 60,719 | 64,744 |
| TOTAL EQUITY | <u><u>232,988</u></u> | <u><u>245,778</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at 3/F, Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong. During the period, the Company’s principal activity is investment holding.

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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Interim Financial Information have been prepared in accordance with the same accounting policies applied in the 2019 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 2020 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 2019 annual financial statements. The condensed consolidated financial statements 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 have been prepared on the historical cost basis except for certain financial instruments and certain property, plant and equipment that are measured at fair values as appropriate.

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

The Interim Financial Information are 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. The Group was also engaged in provision of financial services, for which the board of directors decided not to renew the money lenders license (the “**License**”) upon expiration on 11 February 2020, that was discontinued accordingly.

The outbreak of coronavirus disease (“**COVID-19**”) and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group suspended its manufacturing activities and intercity delivery services during the period from Chinese New Year in late January 2020 to late February 2020 due to mandatory government quarantine measures in an effort to control the spread of the pandemic. On the other hand, the government of the People’s Republic of China (the “**PRC**”) and Hong Kong has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and financial performance of the Group were affected in different aspects, including increase in cost of sales due to increase in factory overheads during the close-down period and government grants in respect of COVID-19-related subsidies.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following new and revised standards, amendments and Interpretations (collectively referred to as the “**new and revised HKFRSs**”) issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s Interim Financial Information:

| | |
|---|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and all new and revised HKFRSs has no material impact on the Group’s financial position and financial performance for the current and/or prior periods and/or on the disclosure set out in the Interim Financial Information.

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

Accounting policies newly applied by the Group

In addition, the Group has applied the following policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

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 two reportable segments during the period ended 30 June 2020. The reportable segments are based on the information about the operations of the Group that management uses to make decisions.

The Group’s reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies.

Particulars of the Group’s reportable segments for continuing and discontinued operations are summarised as follows:

Continuing operation

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**”)

Discontinued operation

Money lending business (the “**Financial Services**”)

The Group engaged in the Financial Services operation, for which the board of directors decided not to renew the License upon expiration on 11 February 2020, that was discontinued accordingly. Details of the discontinued operation is set out in note 10.

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 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.

5. REVENUE

Disaggregation of revenue from contracts with customers

| Six months ended 30 June | |
|--------------------------|-------------|
| 2020 | 2019 |
| HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) |

Continuing operation

Revenue from contracts with customers recognised at a point in time:

Sales of PHC piles and others

| | |
|----------------|---------|
| 150,791 | 150,510 |
|----------------|---------|

6. OTHER GAINS AND LOSSES, NET

| Six months ended 30 June | |
|--------------------------|-------------|
| 2020 | 2019 |
| HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) |

Continuing operation

Exchange loss, net

| | |
|-------|------|
| (123) | (42) |
|-------|------|

Impairment loss recognised in respect of trade receivables, net of reversal

| | |
|---------|---------|
| (4,484) | (1,422) |
|---------|---------|

Impairment loss recognised in respect of prepayment, deposits and other receivables, net of reversal

| | |
|---|-----------|
| – | (103,525) |
|---|-----------|

Loss on disposal of financial assets at fair value through profit or loss

| | |
|-------|---|
| (296) | – |
|-------|---|

Loss arising on change in fair value of financial assets at fair value through profit or loss

| | |
|---------|---|
| (3,436) | – |
|---------|---|

Loss on disposal of property, plant and equipment

| | |
|---|---------|
| – | (2,443) |
|---|---------|

Provision for compensation and cost for legal case

| | |
|-------|-------|
| (740) | (772) |
|-------|-------|

| | |
|----------------|-----------|
| (9,079) | (108,204) |
|----------------|-----------|

7. FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------|--------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Continuing operation | | |
| Interest on bank borrowings | 1,337 | 1,263 |
| Interest on bond | 112 | 112 |
| Overdraft interest from financial institutions | 98 | – |
| Interest on lease liabilities | 234 | 389 |
| | <u>1,781</u> | <u>1,764</u> |

8. LOSS BEFORE TAX

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

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Continuing operation | | |
| Depreciation of property, plant and equipment | 7,917 | 8,328 |
| Depreciation of right-of-use assets | 2,745 | 2,692 |
| Cost of inventories sold | 88,294 | 84,218 |
| Staff costs (including directors' remuneration): | | |
| – Salaries, bonuses and allowances | 15,785 | 18,377 |
| – Retirement benefits scheme contributions | 428 | 992 |
| – Reversal of provision for long service payment, net | – | (2) |
| | <u>16,213</u> | <u>19,367</u> |

9. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|----------------------------------|--------------------------|-------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Continuing operation | | |
| PRC Enterprises Income Tax | | |
| – Current tax | – | 1,373 |
| – Under-provision in prior years | <u>475</u> | <u>1,060</u> |
| | 475 | 2,433 |
| Hong Kong Profits Tax | | |
| – Over-provision in prior years | (20) | – |
| Deferred tax credit | <u>–</u> | <u>(1,531)</u> |
| | <u>455</u> | <u>902</u> |

No provision for Hong Kong Profits Tax has been made for both periods as the Group has no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

No provision for PRC Enterprises Income Tax has been made for the six months ended 30 June 2020 as the Group has no assessable profits arising in or derived from the PRC.

10. DISCONTINUED OPERATION

On 11 February 2020, being the date of expiration of the License, the board of directors decided not to renew the License. The non-renewal of the License is consistent with the Group's long-term policy to focus its activities on the Group's other business. As a result of the expiration of the License, the directors are in the opinion that the Financial Services operation should be classified as the discontinued operation.

The result of the discontinued operation for the period, which had been included in the condensed consolidated statement of profit or loss, was as follows:

| | For the period from 1 January 2020 to respective date of termination of the License HK\$'000 (Unaudited) | For the six months ended 30 June 2019 HK\$'000 (Unaudited) |
|---|---|---|
| Revenue | 6 | 379 |
| Other income | 159 | 503 |
| Other gains and losses, net | (1,556) | (117,310) |
| Administrative expenses | (53) | (670) |
| | <hr/> | <hr/> |
| Loss before tax | (1,444) | (117,098) |
| Income tax expenses | - | - |
| | <hr/> | <hr/> |
| Loss for the period from discontinued operation | (1,444) | (117,098) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Loss for the period from discontinued operation attributable to owners of the Company | (1,444) | (117,098) |
| | <hr/> <hr/> | <hr/> <hr/> |

Loss for the period from discontinued operation has been arrived at after charging/(crediting):

| | For the period from 1 January 2020 to respective date of termination of the License HK\$'000 (Unaudited) | For the six months ended 30 June 2019 HK\$'000 (Unaudited) |
|---|---|---|
| Depreciation of property, plant and equipment | 15 | 322 |
| Staff costs (including directors' remuneration): | | |
| – Salaries, bonus and allowances | – | 4 |
| Exchange gain, net | – | (2) |
| Impairment loss recognised in respect of loan receivables, net of reversal | – | 117,309 |
| Impairment loss recognised in respect of prepayment, deposits and other receivables, net of reversal | 45 | 3 |
| Loss on deregistration of subsidiaries | 1,511 | – |
| Expenses relating to short-term leases and other leases with lease terms end within 12 months | – | 93 |
| | <u> </u> | <u> </u> |

Cash flows of the discontinued operation for the period were as follows:

| | For the period from 1 January 2020 to respective date of termination of the License HK\$'000 (Unaudited) | For the six months ended 30 June 2019 HK\$'000 (Unaudited) |
|--|---|---|
| Net cash generated from operating activities | 631 | 4,145 |
| Net cash used in financing activities | (653) | (9,523) |
| | <u> </u> | <u> </u> |
| Net cash outflow | <u> </u> | <u> </u> |

11. LOSS PER SHARE

From continuing and discontinued operations

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

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2020 | 2019 |
| | 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>(21,231)</u> | <u>(243,025)</u> |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>825,106</u> | <u>690,329</u> |

As the Company's outstanding convertible bonds and share options 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.

From continuing operation

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

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss | | |
| Loss for the purpose of basic and diluted loss per share (loss for the period from continuing operation attributable to owners of the Company) | <u>(19,787)</u> | <u>(125,927)</u> |

The weighted average number of ordinary shares used herein is the same as those detailed above for the purpose of basic and diluted loss per share from continuing and discontinued operations respectively.

From discontinued operation

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

| | For the period from 1 January 2020 to respective date of termination of the License HK\$'000 (Unaudited) | For the six months ended 30 June 2019 HK\$'000 (Unaudited) |
|--|---|---|
| Loss | | |
| Loss for the purpose of basic and diluted loss per share (loss for the period from discontinued operation attributable to owners of the Company) | (1,444) | (117,098) |

The weighted average number of ordinary shares used herein is the same as those detailed above for the purpose of basic and diluted loss per share from continuing and discontinued operations respectively.

12. DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 June 2020 and 30 June 2019, nor any dividend been proposed by the Board subsequent to the end of the reporting period.

13. TRADE, BILL AND LOAN RECEIVABLES

| | As at 30 June 2020 <i>HK\$'000</i> (Unaudited) | As at 31 December 2019 <i>HK\$'000</i> (Audited) |
|---|--|--|
| Trade receivables from contract with customers | 142,074 | 143,282 |
| Less: allowance for credit losses | <u>(52,622)</u> | <u>(48,957)</u> |
| Trade receivables (net of allowance for credit losses) | 89,452 | 94,325 |
| Bill receivables | – | 334 |
| Less: allowance for credit losses | <u>–</u> | <u>(4)</u> |
| Trade and bill receivables (net of allowance for credit losses) | <u>89,452</u> | <u>94,655</u> |
| Loan receivables | 130,141 | 130,882 |
| Less: allowance for credit losses | <u>(130,141)</u> | <u>(130,141)</u> |
| | <u>–</u> | <u>741</u> |
| Total trade, bill and loan receivables (net of allowance for credit losses) | <u><u>89,452</u></u> | <u><u>95,396</u></u> |

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 2020 <i>HK\$'000</i> (Unaudited) | As at 31 December 2019 <i>HK\$'000</i> (Audited) |
|-----------------|--|--|
| Within 3 months | 52,161 | 78,966 |
| 4 to 6 months | 17,472 | 6,325 |
| 7 to 12 months | 19,819 | 6,964 |
| Over 12 months | <u>–</u> | <u>2,400</u> |
| | <u><u>89,452</u></u> | <u><u>94,655</u></u> |

The aging analysis of loan receivables (net of allowance for credit losses), based on the date of inception or renewal for loans, is as follows:

| | As at 30 June 2020 HK\$'000 (Unaudited) | As at 31 December 2019 HK\$'000 (Audited) |
|-----------------|--|--|
| Within 3 months | - | - |
| 4 to 6 months | - | - |
| 7 to 12 months | - | 741 |
| | <u>-</u> | <u>741</u> |
| | <u><u>-</u></u> | <u><u>741</u></u> |

14. TRADE PAYABLES

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

| | As at 30 June 2020 HK\$'000 (Unaudited) | As at 31 December 2019 HK\$'000 (Audited) |
|-----------------|--|--|
| Within 3 months | 37,229 | 51,735 |
| 4 to 6 months | 13,421 | 14,322 |
| 7 to 12 months | - | - |
| Over 12 months | 3,697 | 4,382 |
| | <u>54,347</u> | <u>70,439</u> |
| | <u><u>54,347</u></u> | <u><u>70,439</u></u> |

15. PLEDGED OF ASSETS

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

| | As at 30 June 2020 HK\$'000 (Unaudited) | As at 31 December 2019 HK\$'000 (Audited) |
|---------------------|--|--|
| Buildings | 42,095 | 43,794 |
| Plant and machinery | – | 26,592 |
| Right-of-use assets | <u>21,150</u> | <u>21,441</u> |
| | <u>63,245</u> | <u>91,827</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 personal guarantee provided by non-controlling interests of the Group.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the disclosure requirements in respect of the discontinued operation set out in note 10.

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 29%, 58% and 13% respectively (six months ended 30 June 2019 (“**FP2019**”): approximately 29%, 64% and 7%) to the revenue of PHC Pile and Others Business of the Group for the six months ended 30 June 2020 (“**FP2020**”).

Revenue from external customers for FP2020 was HK\$150,791,000 compared with HK\$150,510,000 reported in FP2019, which increased by approximately 0.2%.

Other gains and losses, net

Other gains and losses, net for FP2020 amounted to HK\$9,079,000 (FP2019: HK\$108,204,000), represented a decrease of HK\$99,125,000. Such decrease was mainly due to absence of impairment loss of approximately HK\$100 million was made against refundable deposits paid by Sunway New Energy Industry Group Limited in relation to the acquisition of the gas project during FP2019 and partially offset by loss arising on change in fair value of financial assets at fair value through profit of loss amounted to approximately HK\$3 million. Please refer to the paragraph headed “Legal Proceedings” in this announcement for further details.

Selling and distribution expenses

Selling and distribution expenses for FP2020 amounted to HK\$22,893,000 (FP2019: HK\$32,986,000), represented a decrease of 30.6%. The decrease in selling and distribution expenses for FP2020 was mainly due to the decrease in salaries for sales persons and piling expenses. Selling and distribution expenses for FP2020 mainly comprised transportation costs of HK\$22,508,000.

Administrative expenses

Administrative expenses for FP 2020 amounted to HK\$13,664,000 (FP2019: HK\$19,178,000), representing a decrease of 28.8%, which was mainly due to the decrease in entertainment expenses and legal and professional fees. Administrative expenses for FP2020 mainly comprised salaries and other benefits (including directors' remuneration) of HK\$5,326,000 and legal and professional fees of HK\$2,092,000.

Finance costs

Finance cost for FP2020 amounted to HK\$1,781,000 (FP2019: HK\$1,764,000), representing an increase of 1.0%, which was due to the increase in overdraft interest from financial institutions during FP2020. Finance costs for FP2020 were interest expenses for the bank borrowings of HK\$1,337,000, interest expenses for bond of HK\$112,000, overdraft interest from financial institutions of HK\$98,000 and interest on lease liabilities of HK\$234,000.

Loss before tax

Loss before tax was HK\$22,389,000 for FP2020 compared with loss before tax of HK\$127,468,000 reported in FP2019. It was mainly due to the decrease in gross profit for FP2020 as compared with those reported in FP2019 and absence of impairment loss of prepayment, deposits and other receivables. The revenue for FP2020 was HK\$150,791,000 compared with HK\$150,510,000 reported in FP2019, which increased by 0.2%. The gross profit for FP2020 was HK\$25,377,000 compared with HK\$33,298,000 reported in FP2019, which decreased by 23.8%. The gross profit ratio also decreased from 22.1% in FP2019 to 16.8% in FP2020.

Discontinued operation

Financial services operation was discontinued during the period ended 30 June 2020.

Loss for the period from discontinued operation was HK\$1,444,000 for current period compared with HK\$117,098,000 reported in FP2019. Loss for the period from discontinued operation decreased by 98.8% was mainly due to absence of impairment loss recognised of approximately HK\$117,309,000 in respect of loan receivables during FP2019.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020, equity attributable to owners of the Company was HK\$172,269,000, representing a decrease of approximately 4.8% as compared with that as at 31 December 2019. As at 30 June 2020, the Group's cash and

cash equivalents stood at HK\$17,216,000 which were denominated in Hong Kong Dollar and Renminbi whereas total interest-bearing borrowings were HK\$43,197,000. The annual interest rates of the borrowings for FP2020 ranged from 4.20% to 6.96% per annum. Approximately 64.6% of the total borrowings were accounted for as current liabilities of the Group. The above borrowings were denominated in Hong Kong Dollar and Renminbi. During FP2020, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by equity, was approximately 62.3% as at 30 June 2020.

SIGNIFICANT INVESTMENT AND ACQUISITION

Except for the investment in listed securities, the Group has no significant investment and acquisition during FP2020.

CAPITAL STRUCTURE

Convertible notes

As at 30 June 2020, the Company had convertible notes with principal amount of HK\$30,000,000. Based on the opinions obtained from the legal adviser of the Company, in view of the on-going legal proceedings mentioned under the paragraph headed “Contingent Liabilities” and “Legal Proceedings” in this announcement, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

Shares allotment

2019 Allotment

On 13 March 2019, the Company entered into a subscription agreement with a subscriber to issue and allot 124,800,000 ordinary shares of HK\$0.1 each to the subscriber at a price of HK\$0.136 per share (“**2019 Subscription**”). The share allotment was completed on 27 March 2019 and the net proceeds of approximately HK\$16.7 million, representing a net price of approximately HK\$0.134 per subscription share, raised from the 2019 Subscription (“**2019 Net Proceeds**”) would be used for general working capital purposes.

As at 31 December 2019, the unutilised 2019 Net Proceeds amounted to a total of approximately HK\$2.6 million, which was intended and had been fully used for general working capital purposes for the period from January to March 2020 set out as follows:

| Usage of unutilised 2019 Net Proceeds (as at 31 March 2020) | Amount <i>(HK\$ million)</i> |
|--|--|
| Group’s rental related expenses | 1.0 |
| Staff and directors’ remuneration | 0.8 |
| Legal and professional fees | 0.7 |
| Sundry related expenses | 0.1 |
| | <hr/> |
| Total | 2.6 |
| | <hr/> <hr/> |

2020 Allotment

On 29 November 2019, the Company entered into a subscription agreement with Wealthy Port Holdings Limited (“**Wealthy Port**”), a substantial shareholder of the Company, which is beneficially owned by Mr. Chim Sai Yau, Oscar, a former executive Director of the Company, pursuant to which the Company has conditionally agreed to allot and issue 149,063,676 ordinary shares of HK\$0.1 each to Wealthy Port at a price of HK\$0.1 per share (“**2020 Subscription**”). The share allotment was completed on 30 March 2020 and the net proceeds of approximately HK\$13.9 million, representing a net price of approximately HK\$0.093 per subscription share, raised from the 2020 Subscription (“**2020 Net Proceeds**”) would be used for general working capital purposes.

During the six months ended 30 June 2020, the 2020 Net Proceeds was utilised as follows:

| Intended use of the 2020 Net Proceeds | Estimated amount <i>(HK\$ million)</i> | Actual usage as at 30 June 2020 <i>(HK\$ million)</i> |
|--|--|---|
| Group’s rental related expenses | 4.0 | 1.5 |
| Staff and directors’ remuneration | 3.0 | 1.3 |
| Legal and professional fees | 5.0 | 2.3 |
| Administration related expenses | 1.9 | 0.4 |
| Total | <u>13.9</u> | <u>5.5</u> |

The unutilised 2020 Net Proceeds as at 30 June 2020 is expected to be utilised in accordance with the intended usage during the year ending 31 December 2020.

Share options

As at 12 February 2019, the number of outstanding share options which have not been exercised was 23,880,000, each of which is exercisable at the exercise price of HK\$1.682 per share.

As the exercise price of the outstanding share options are comparatively high when compared with the market prices of the shares, which deters the grantees from exercising the outstanding share options to subscribe for the shares, on 12 February 2019, the Company has cancelled all the outstanding share options.

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during FP2020 and FP2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had approximately 420 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 commitments as at 30 June 2020 (31 December 2019: Nil).

CONTINGENT LIABILITIES

References are made to the Company's announcements dated 5 February 2016, 14 March 2017 and 4 September 2017 in relation to an action commenced by Liu Qian (劉倩) (“**Ms. Liu**”) as the plaintiff against the Company as the defendant.

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

The amount of the claims by Ms. Liu, in relation to the convertible notes with a face value of HK\$15 million, was about HK\$40 million as per the Statement of Claim dated 29 January 2016. The convertible notes were issued in favour of the vendor as part of the consideration of the sale and purchase agreement dated 3 October 2013 (“**SPA**”). According to a legal opinion dated 2 December 2019 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.

EVENTS AFTER THE REPORTING PERIOD

On 14 July 2020, Sunway Financial Management Limited (“**SFML**”), an indirect wholly-owned subsidiary of the Company, disposed a total of 496,300 Callon Petroleum Company shares (the “**Callon Petroleum Share**”) on the open market at an aggregate consideration of approximately HK\$4,348,000 (exclusive of transaction costs) (the “**Disposal**”). The average selling price (exclusive of transaction costs) for the disposal of each Callon Petroleum Share is approximately HK\$8.76. The Group is expected to recognise a loss of approximately HK\$1,568,000 as a result of the Disposal.

Through a series of acquisitions during 15 July 2020 to 24 July 2020, SFML acquired a total 105,000 shares of Smoore International Holdings Limited (“**Smoore International Share**”) on the open market at an aggregate consideration of approximately HK\$3,611,000 (exclusive of transaction costs). The average price (exclusive of transaction costs) for the acquisition of each Smoore International Share is approximately HK\$34.39.

PROSPECT

According to the press release published by Guangdong Provincial Development and Reform Commission of the PRC dated 5 March 2020, the province plans to set up 1,230 key projects with a total investment of RMB5.9 trillion, highlighting a new round of investment stemming from the construction of new infrastructure. In addition, according to a guideline jointly issued by the General Office of the Communist Party of China Central Committee of the PRC and the General Office of the State Council of the PRC dated 25 December 2019, restrictions on residence registration will be lifted or relaxed for cities with a residential population of less than five million in urban areas and the settlement policies for mega cities with a residential population of above five million in urban areas will also be improved. The Directors consider that such policies will have positive effects to the construction material industry in PRC and thus can benefit the Group.

According to Bloomberg News dated 16 August 2020, “PRC’s economy, the first to succumb to the coronavirus, is proving to be the fastest to recover. Despite persistent fears of a broad technology Cold War with the U.S., PRC might be the only major economy to expand this year.” The recent outbreak of COVID-19 had a certain impact on the operations of the Group since early 2020 but the effects on the businesses of the Group was temporary. The local businesses started to resume in March 2020 and the Group’s operations gradually restored to normal level.

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

Upon specific enquiry by the Company and based on the confirmation from the Directors, 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 2020 and up to the date of this announcement.

LEGAL PROCEEDINGS

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

1. Sunway Financial Management Limited

Reference is made to the Company's announcement dated 20 January 2020 in relation to provision of financial assistance, 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 a result, Sunway Financial Management Limited has taken appropriate legal proceedings against the Loan Debtors. Please refer to the Company's announcement dated 12 August 2020 for the details of the further updates on the way forward and estimated timeline of loan recovery process against the Loan Debtors.

2. Sunway New Energy Industry Group Limited

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

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

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

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

According to the civil ruling by the Court on 16 July 2019, the Guarantor's assets with value within RMB100,000,000 were suspended for a period of three years. However, impairment has been made against the Refundable Earnest Money during the year ended 31 December 2019 in accordance with the valuation report.

Meanwhile, a bill of indictment had been sent to the Vendor and the legal proceedings are still in progress. The Company's PRC Counsel expects that the trial will commence during the period from October 2020 to December 2020. It may take 1 to 2 months for the Court to deliver judgment. Upon service of the judgment, the losing party has the right to lodge an appeal within 30 days from the date of service. In the event of not lodging any appeal, the winning party may enforce the judgment if the judgment sum is not paid by the losing party.

3. The Company/its subsidiary as the plaintiff

By a Generally Indorsed Writ of Summons dated 23 June 2015 and Statement of Claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the "**Plaintiffs**") against Xiao Guang Kevin (蕭光) ("**Mr. Xiao**") and Wang Zhining (王志寧) ("**Mr. Wang**") (collectively, the "**Defendants**"), the vendor and the guarantor, respectively, all of whom are parties to a very substantial acquisition of the Company (the "**VSA**") as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, the Plaintiffs claim that the Defendants have fundamentally breached the terms and conditions of the SPA (the "**SPA Legal Proceedings**"). Accordingly, the Plaintiffs are seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao.

On 16 March 2017, the Plaintiffs filed an Amended Statement of Claim to the Court of First Instance adding Ms. Liu as a defendant to the SPA Legal Proceedings claiming, amongst other things, that Ms. Liu is a nominee of Mr. Wang and further claim against the Defendants for misrepresentation regarding the undisclosed guarantees given by Zhuhai Hoston in favour of Wang Tian (王天) which has led to the Group's involvement in such litigation.

Pursuant to the Order of the Court of First Instance dated 5 December 2017, the Plaintiffs filed and served on the Defendants their Further and Better Particulars of the Amended Statement of Claim on 9 January 2018. Upon counsel's advice, the Plaintiffs are considering to further amend the Amended Statement of Claim in order to, amongst other things, simplify their claims and to make clear their causes of action. For the purpose of saving costs, the Plaintiffs have allowed the Defendants to withhold preparing their Amended Defence pending the Plaintiff's aforesaid application to further amend the Amended Statement of Claim.

As at the date of this announcement, no judgment has been made by the Court.

4. The Company/its subsidiary as the defendant

References are made to the announcements of the Company dated 11 November 2016 and the 2019 Annual Report in relation to the civil complaints involving Zhuhai Hoston, an indirectly owned (95%) subsidiary of the Company.

Upon the respective applications of Kou Jinshui (寇金水) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.*), an independent third party, three bank accounts of Zhuhai Hoston and 70% equity interest of Zhuhai Hoston in 廣東恒佳建材股份有限公司 (Guangdong Hengjia Building Materials Co., Ltd*) were impounded, for the three years from 27 July 2017 to 27 July 2020, by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016. As at the date this announcement, the share impoundment has expired and become invalid.

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 2020.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “**Code**”) contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2020 and as at the date of this announcement, except for the following deviations:

- (a) under the Code provision A.4.2, “all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after appointment”. As the progress of the circular dated 29 February 2020 on connected transaction in relation to the subscription of new shares under specific mandate (the “**Subscription**”) and notice of special general meeting had been delayed, the management planned to focus the attention on the completion of the Subscription leaving the re-election of newly appointed directors to be handled in the coming annual general meeting (the “**AGM**”).

It is because Bye-law 109 of the Company provided “if at any general meeting at which an election of Directors ought to take place, the places of the retiring Directors are not filled, the retiring Directors or such of them as have not had their places filled shall be deemed to have been re-elected and shall, if willing, continue in office until the next annual general meeting”. As such, the re-election of the Directors at the AGM was still in compliance with the Company’s Bye-laws.

- (b) under the Code provision E.1.2, “the Chairman of the Board should attend the annual general meeting”. Mr. Chim Sai Yau, Oscar, who had another engagement, was unable to attend the AGM on 30 June 2020. Nevertheless, Mr. Law Chun Choi, the executive Director, attended the said AGM to respond to queries from shareholders.

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. Tong Leung Sang and Mr. Chan Sung Wai. The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2020 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 required standard set out in the Model Code throughout the six months ended 30 June 2020.

PUBLICATION OF UNAUDITED INTERIM REPORT

The unaudited interim report 2020 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, 28 August 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Fok Po Tin, Mr. Li Chongyang and 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. Tong Leung Sang and Mr. Chan Sung Wai.

* *For identification purpose only*