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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 2021

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 2021, together with the comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operation			
REVENUE	5	232,139	150,791
Cost of sales		<u>(185,114)</u>	<u>(125,414)</u>
Gross profit		47,025	25,377
Other income		993	479
Other gains and losses, net	6	4,656	(9,079)
Selling and distribution expenses		(34,794)	(22,893)
Administrative expenses		(17,027)	(13,664)
Other expenses		(693)	(828)
Finance costs	7	<u>(1,425)</u>	<u>(1,781)</u>

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
LOSS BEFORE TAX	8	(1,265)	(22,389)
Income tax expenses	9	(840)	(455)
Loss for the period from continuing operation		(2,105)	(22,844)
Discontinued operation	10		
Loss for the period from discontinued operation		–	(1,444)
LOSS FOR THE PERIOD		(2,105)	(24,288)
Loss for the period attributable to:			
Owners of the Company		(2,035)	(21,231)
Non-controlling interests		(70)	(3,057)
		(2,105)	(24,288)
		2021	2020 (Restated)
Loss per share	11		
From continuing and discontinued operations			
Basic and diluted (HK cents)		(1.13)	(12.87)
From continuing operation			
Basic and diluted (HK cents)		(1.13)	(11.99)
From discontinued operation			
Basic and diluted (HK cents)		–	(0.88)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(2,105)</u>	<u>(24,288)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	5,963	(3,939)
Reclassification adjustment on deregistration of foreign subsidiaries	<u>–</u>	<u>1,511</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>5,963</u>	<u>(2,428)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>3,858</u></u>	<u><u>(26,716)</u></u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	2,637	(22,691)
Non-controlling interests	<u>1,221</u>	<u>(4,025)</u>
	<u><u>3,858</u></u>	<u><u>(26,716)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		123,014	129,376
Right-of-use assets		40,432	40,400
Goodwill		19,941	19,941
Deferred tax assets		12,219	12,068
		195,606	201,785
CURRENT ASSETS			
Inventories		41,348	17,702
Trade, bill and loan receivables	13	166,902	139,366
Prepayment, deposits and other receivables		90,443	86,392
Financial assets at fair value through profit or loss		16,234	12,149
Restricted bank deposits		–	1
Cash and cash equivalents		7,394	12,985
		322,321	268,595
CURRENT LIABILITIES			
Trade payables	14	139,771	88,837
Contract liabilities		5,550	3,509
Accruals and other payables		35,440	40,971
Lease liabilities		162	2,466
Amounts due to non-controlling interests		522	515
Amount due to a shareholder		5,677	5,677
Interest-bearing borrowings		22,065	29,944
Tax payable		6,042	5,887
		215,229	177,806

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NET CURRENT ASSETS	107,092	90,789
TOTAL ASSETS LESS CURRENT LIABILITIES	302,698	292,574
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	15,307	11,313
Lease liabilities	2,264	–
Deferred tax liabilities	8,205	8,197
Provision for long service payment	15	15
	25,791	19,525
NET ASSETS	276,907	273,049
EQUITY		
Share capital	17,960	17,960
Convertible notes	12,600	12,600
Reserves	172,054	169,417
Equity attributable to owners of the Company	202,614	199,977
Non-controlling interests	74,293	73,072
TOTAL EQUITY	276,907	273,049

NOTES

1. CORPORATE INFORMATION

Sunway International Holdings Limited (the “**Company**”, together with its subsidiaries collectively as the “**Group**”) is a limited liability company incorporated in Bermuda and the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at 3/F, Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong.

2. BASIS OF PREPARATION

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

The Interim Financial Information have been prepared in accordance with the same accounting policies applied in the 2020 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 2021 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 2020 annual financial statements. The Interim Financial Information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the HKFRSs.

The Interim Financial Information 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 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 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's Interim Financial Information:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

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

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

4. SEGMENT INFORMATION

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

The Group has one reportable segment (30 June 2020: two reportable segments) during the period ended 30 June 2021. 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operation		
Revenue from contracts with customers recognised at a point in time:		
Sales of PHC piles and others	232,139	150,791
	=====	=====

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operation		
Exchange loss, net	(1,649)	(123)
Impairment loss recognised in respect of trade receivables, net of reversal	–	(4,484)
Gain/(loss) on disposal of financial assets at fair value through profit or loss	6,469	(296)
Gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss	3,218	(3,436)
Loss on disposal of property, plant and equipment	(2,572)	–
Provision for compensation and cost for legal case	(805)	(740)
Others	(5)	–
	=====	=====
	4,656	(9,079)
	=====	=====

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operation		
Interest on bank borrowings	1,156	1,337
Interest on bond	112	112
Overdraft interest from financial institutions	–	98
Interest on lease liabilities	157	234
	<u>1,425</u>	<u>1,781</u>

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operation		
Depreciation of property, plant and equipment	7,120	7,917
Depreciation of right-of-use assets	2,945	2,745
Cost of inventories sold	133,284	88,294
Staff costs (including directors' remuneration):		
– Salaries, bonuses and allowances	21,796	15,785
– Retirement benefits scheme contributions	1,293	428
	<u>23,089</u>	<u>16,213</u>

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Continuing operation		
PRC Enterprises Income Tax		
– Current tax	755	–
– Under-provision in prior years	–	475
	<u>755</u>	<u>475</u>
Hong Kong Profits Tax		
– Current tax	85	–
– Over-provision in prior years	–	(20)
	<u>840</u>	<u>455</u>

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2020 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 money lenders license (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 <i>HK\$’000</i> (Unaudited)
Revenue	6
Other income	159
Other gains and losses, net	(1,556)
Administrative expenses	(53)
	<hr/>
Loss before tax	(1,444)
Income tax expenses	–
	<hr/>
Loss for the period from discontinued operation	(1,444)
	<hr/> <hr/>
Loss for the period from discontinued operation attributable to owners of the Company	(1,444)
	<hr/> <hr/>

Loss for the period from discontinued operation has been arrived at after charging:

	For the period from 1 January 2020 to respective date of termination of the License <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	15
Impairment loss recognised in respect of prepayment, deposits and other receivables, net of reversal	45
Loss on deregistration of subsidiaries	1,511
	<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 <i>HK\$'000</i> (Unaudited)
Net cash generated from operating activities	631
Net cash used in financing activities	<u>(653)</u>
Net cash outflow	<u><u>(22)</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	
	2021	2020
	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>(2,035)</u>	<u>(21,231)</u>
	'000	'000
	(Unaudited)	(Unaudited) (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>179,600</u>	<u>165,021</u>

The weighted average number of ordinary shares for the period ended 30 June 2020 for the purposes of calculating basic and diluted loss per share have been adjusted for the capital reorganisation which took place on 23 November 2020.

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 and exercise 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	
	2021	2020
	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>(2,035)</u>	<u>(19,787)</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)

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)

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 2021 and 30 June 2020, 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 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade receivables from contract with customers	236,624	208,187
Less: allowance for credit losses	<u>(70,615)</u>	<u>(69,744)</u>
Trade receivables (net of allowance for credit losses)	166,009	138,443
Bill receivables	920	950
Less: allowance for credit losses	<u>(27)</u>	<u>(27)</u>
Trade and bill receivables (net of allowance for credit losses)	<u>166,902</u>	<u>139,366</u>
Loan receivables	129,141	129,141
Less: allowance for credit losses	<u>(129,141)</u>	<u>(129,141)</u>
	<u>—</u>	<u>—</u>
Total trade, bill and loan receivables (net of allowance for credit losses)	<u><u>166,902</u></u>	<u><u>139,366</u></u>

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.

Loan receivables of HK\$129,141,000 (as at 31 December 2020: HK\$129,141,000) which bore fixed interest rates ranging from 8% to 10% (as at 31 December 2020: 8% to 10%) per annum and, of which HK\$129,141,000 (as at 31 December 2020: HK\$129,141,000) were secured with charges over the assets owned by the borrowers.

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 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Within 3 months	97,875	97,115
4 to 6 months	41,973	39,426
7 to 12 months	27,054	2,825
	166,902	139,366

14. TRADE PAYABLES

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Within 3 months	115,804	55,692
4 to 6 months	22,070	18,169
7 to 12 months	1	1,911
Over 12 months	1,896	13,065
	139,771	88,837

The average credit terms received from suppliers of the Group is 30 days.

15. PLEDGED OF ASSETS

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Buildings	57,352	57,645
Plant and machinery	28,147	29,538
Right-of-use assets	<u>21,020</u>	<u>21,048</u>
	<u>106,519</u>	<u>108,231</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.

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 28%, 58% and 14% respectively (six months ended 30 June 2020 (“**FP2020**”): approximately 29%, 58% and 13%) to the revenue of PHC Pile and Others Business of the Group for the six months ended 30 June 2021 (“**FP2021**”).

Revenue from external customers for FP2021 was HK\$232,139,000 compared with HK\$150,791,000 reported in FP2020, which increased by approximately 53.9%.

Other gains and losses, net

Other gains and losses, net for FP2021 amounted to gain HK\$4,656,000 (FP2020: loss HK\$9,079,000), represented an increase of HK\$13,735,000. Such increase was mainly due to gain on disposal of financial assets at fair value through profit or loss amounted to approximately HK\$6,469,000 and gain arising on change in fair value of financial assets at fair value through profit or loss amounted to approximately HK\$3,218,000.

Selling and distribution expenses

Selling and distribution expenses for FP2021 amounted to HK\$34,794,000 (FP2020: HK\$22,893,000), represented an increase of 52.0%. The increase in selling and distribution expenses for FP2021 was mainly due to the increase in transportation costs. Selling and distribution expenses for FP2021 mainly comprised transportation costs of HK\$33,490,000.

Administrative expenses

Administrative expenses for FP 2021 amounted to HK\$17,027,000 (FP2020: HK\$13,664,000), representing an increase of 24.6%, which was mainly due to the increase in staff costs and repair and maintenance. Administrative expenses for FP2021 mainly comprised staff costs (including directors' remuneration) of HK\$6,830,000, legal and professional fees of HK\$1,595,000 and repair and maintenance of HK\$1,202,000.

Finance costs

Finance cost for FP2021 amounted to HK\$1,425,000 (FP2020: HK\$1,781,000), representing an decrease of 20.0%, which was due to the decrease in overdraft interest from financial institutions and bank borrowing interest during FP2021. Finance costs for FP2021 were interest expenses for the bank borrowings of HK\$1,156,000, interest expenses for bond of HK\$112,000 and interest on lease liabilities of HK\$157,000.

Loss before tax

Loss before tax was HK\$1,265,000 for FP2021 compared with loss before tax of HK\$22,389,000 reported in FP2020. It was mainly due to the increase in gross profit for FP2021 as compared with those reported in FP2020 and increase in other gains or loss, net. The revenue for FP2021 was HK\$232,139,000 compared with HK\$150,791,000 reported in FP2020, which increased by 53.9%. The gross profit for FP2021 was HK\$47,025,000 compared with HK\$25,377,000 reported in FP2020, which increase by 85.3%. The gross profit ratio also increased from 16.8% in FP2020 to 20.3% in FP2021.

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 the period ended 30 June 2020 but there was no discontinued operation for the current period.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021, equity attributable to owners of the Company was HK\$202,614,000, representing an increase of approximately 1.32% as compared with that as at 31 December 2020. As at 30 June 2021, the Group's cash and cash equivalents stood at HK\$7,394,000 which were denominated in Hong Kong Dollar and Renminbi whereas total interest-bearing borrowings were HK\$37,372,000. The annual interest rates of the borrowings for FP2021 ranged from 4.35% to 7.5% per annum. Approximately 61.8% 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 FP2021, 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 87.0% as at 30 June 2021.

SIGNIFICANT INVESTMENT AND ACQUISITION

Except for the investment in listed securities, the Group has no significant investment and acquisition during FP2021.

CAPITAL STRUCTURE

Convertible notes

As at 30 June 2021, 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

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 nine months ended 31 December 2020, the 2020 Net Proceeds was utilised as follows:

Intended usage of the 2020 Net Proceeds	Estimated amount <i>(HK\$ million)</i>	Actual usage as at 31 December 2020 <i>(HK\$ million)</i>
Group's rental related expenses	4.0	4.0
Staff and directors' remuneration	3.0	3.0
Legal and professional fees	5.0	4.2
Administration related expenses	1.9	1.3
	<hr/>	<hr/>
Total	13.9	12.5
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2020, the unutilised 2020 Net Proceeds amounted to a total of approximately HK\$1.4 million, which had been fully used for general working capital purposes, in accordance with the intended usage, for the period from January to March 2021.

Share options

No share options were granted, exercised, cancelled or lapsed during FP2021 and FP2020.

PLEDGED OF ASSETS

Details of pledged of assets of the Group are set out in note 15 to Interim Financial Information.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 442 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 2021 (31 December 2020: 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 23 August 2021 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

Subsequent to the end of the reporting period, the Group acquired 155,155 shares of BIT Mining Limited, a listed securities in New York Stock Exchange at an aggregate consideration of approximately HK\$9,056,000 (excluded transaction costs).

PROSPECT

Although the Sino-US trade war has been ongoing since 2018, the dispute has no material impact on the Group's operations. 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 late February 2020 and the Group's operations gradually restored to normal level during the first half of 2020.

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

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

According to Bloomberg News dated 16 August 2020, “China’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., China was the only major economy to expand in 2020. However, the Chinese economy appeared to be slowing during the first half year of 2021 as the People’s Bank of China had decided to reduce the reserve requirement ratio by 0.5% for the banks effective 15 July 2021 so as to release more liquidity to support the real economy. Furthermore, Asia’s economies have recently been showing a hit from the surging delta variant of Covid-19 because the consumers have to stay at home.

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 2021 and up to the date of this announcement:

- (1) Mr. Choi Pun Lap was appointed as an executive director by Aurum Pacific (China) Group Limited (stock code: 8148), listed on the GEM Board of the Stock Exchange of Hong Kong Limited, on 1 June 2021.
- (2) Mr. Lum Pak Sum had resigned as an independent non-executive director from TATA Health International Holdings Limited (stock code: 1255) effective from 19 June 2021. In addition, Mr. Lum had retired as an independent non-executive director with effect from the conclusion of the annual general meeting, as held on 23 June 2021, of China Asia Valley Group Limited (stock code: 0063).

LEGAL PROCEEDINGS

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

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

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

(a) Huali Capital

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

(b) Mei Rui

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

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

(c) Shenzhen Siping

In respect of the loan advanced to Shenzhen Siping Investment Company Limited (“**Shenzhen Siping**”) (a company incorporated in Mainland China), legal advice had been obtained from a legal firm in the Mainland China, namely Zhuoxin Law Firm, to commence legal actions against Shenzhen Siping and 郑肇宏 (“**Zheng**”), the director of Shenzhen Siping, for the recovery of the outstanding loan receivables in August 2020. Zheng made an application to challenge the jurisdiction of the Shenzhen Qianhai Cooperation Zone People’s Court, in which the Court rejected his application and held that it has jurisdiction to determine the dispute. Zheng further appealed on the Court’s ruling on jurisdiction to the Shenzhen Intermediate People’s Court, in which the Court also rejected his application. The legal actions against Shenzhen Siping and Zheng will continue to proceed at Shenzhen Qianhai Cooperation Zone People’s Court.

(d) Fuzhou Xufa

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

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

(e) **Charmate**

- (i) In respect of the loans advanced to Charmate Development Limited (“**Charmate**”) (a company registered in the BVI) which were guaranteed by Mr. Chen Zhiguo 陈志国 (“**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.
- (ii) Legal action for the recovery of outstanding loan receivables from Chen has been commenced in Fujian Putian Intermediate People’s Court. The first hearing was held on 18 May 2021. Chen challenged the jurisdiction of the Court. On 7 June 2021, the Court rejected his application and held that it has jurisdiction to determine the dispute. Chen further appealed on the Court’s ruling on jurisdiction to Fujian Higher People’s Court.

The Company is now waiting for Zhuoxin Law Firm to provide updates regarding the progress of the legal action.

(f) **Fuzhou Dongye**

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

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

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

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

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

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

According to the civil ruling by the Court on 16 July 2019, the Guarantor’s assets with value within RMB100,000,000, being the shares of PRC companies as owned by the Guarantor (the “**Frozen Shares**”), were suspended for a period of three years. However, for prudence purpose and compliance with HKFRS 9, full impairment had already been made against the Refundable Earnest Money during the year ended 31 December 2019 in accordance with the valuation report.

As advised by the Company’s counsel, the trial had commenced on 23 February 2021 and the judgement was in favour of Sunway New Energy (the “**Court’s Judgement**”). As the Frozen Shares had already gone into receivership, Sunway New Energy had to compete with other secured creditors, such as the banks, for the enforcement of the Court’s Judgement.

However, the recovery may not be quite optimistic should the priority of other secured creditors be ranked before Sunway New Energy during the liquidation process. Hence, it is now waiting for the enforcement of the Court’s Judgement for which the final result may be known around the end of 2021. For the sake of the Shareholders’ interest of the Company, Sunway New Energy will consider to seek legal advice whether further legal action against the Vendor and Guarantor in accordance with the MOU is possible under PRC laws so as to recover as much as possible in respect of the Refundable Earnest Money.

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. As the Plaintiffs have obtained counsel’s advice to further amend the Amended Statement of Claim with the aim of, among other things, simplifying their claims and making clear their causes of action, an application to further amend the Amended Statement of Claim will be taken out in due course. 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 Annual Report 2020 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 2021.

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 2021 and as at the date of this announcement.

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. Chan Sung Wai. The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2021 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 2021.

PUBLICATION OF UNAUDITED INTERIM REPORT

The unaudited interim report 2021 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
Fok Po Tin
Chairman

Hong Kong, 27 August 2021

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. Yu Shui Sang Bernard and Mr. Chan Sung Wai.

* *For identification purpose only*