



SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058

INTERIM REPORT

2024



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CORPORATE INFORMATION

DIRECTORS

Executive Director:

Law Chun Choi

Non-executive Director:

Lum Pak Sum

Independent Non-executive Directors:

Choi Pun Lap

Yu Shui Sang Bernard

Wong Yue Kwan Alan

COMPANY SECRETARY

Law Chun Choi

LEGAL ADVISERS

As to Bermuda law:

Conyers Dill & Pearman

2901, One Exchange Square

8 Connaught Place

Central

Hong Kong

As to Hong Kong law:

Lam & Co.

19/F, Harbour Commercial Building

Nos. 122–124 Connaught Road

Central

Hong Kong

AUDITOR

Elite Partners CPA Limited

Certified Public Accountants

Level 23, YF Life Tower

33 Lockhart Road

Wan Chai, Hong Kong

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Law Chun Choi
Lum Pak Sum

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

In Hong Kong:
Dah Sing Bank Limited

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

WEBSITE

<http://www.hk0058.com>

STOCK CODE

The Stock Exchange of Hong Kong Limited: 58

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the “**Board**”) of Sunway International Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 together with comparative figures as follows:

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4	100,511	115,611
Cost of sales		(83,700)	(98,175)
Gross profit		16,811	17,436
Other income		118	302
Other losses, net	5	(9,263)	(1,365)
Selling and distribution expenses		(20,927)	(23,347)
Administrative expenses		(9,861)	(11,880)
Other expenses		(745)	(73)
Finance costs	6	(592)	(1,055)
LOSS BEFORE TAX	7	(24,459)	(19,982)
Income tax credit	8	5,360	1,061
LOSS FOR THE PERIOD		(19,099)	(18,921)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
	Notes	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the Company		(13,926)	(13,569)
Non-controlling interests		(5,173)	(5,352)
		(19,099)	(18,921)
LOSS PER SHARE	9		
Basic and diluted (HK cents)		(7.75)	(7.56)

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(19,099)	(18,921)
OTHER COMPREHENSIVE LOSS		
Item that may be subsequently reclassified to the profit or loss:		
Exchange differences on translation of foreign operations	(2,260)	(7,725)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(2,260)	(7,725)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(21,359)	(26,646)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(15,643)	(19,230)
Non-controlling interests	(5,716)	(7,416)
	(21,359)	(26,646)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	87,390	102,427
Right-of-use assets	11	30,843	32,283
		118,233	134,710
CURRENT ASSETS			
Inventories		13,045	9,688
Trade, bill and loan receivables	12	114,463	108,172
Prepayment, deposits and other receivables		67,546	50,619
Cash and cash equivalents		7,344	27,749
		202,398	196,228
CURRENT LIABILITIES			
Trade payables	13	45,753	81,268
Accruals and other payables		93,881	63,544
Contract liabilities		3,929	4,818
Lease liabilities		198	193
Amounts due to non-controlling interests		466	476
Amount due to a shareholder		20,677	18,677
Interest-bearing borrowings		18,197	15,511
Tax payables		726	6,150
		183,827	190,637
Net current assets		18,571	5,591
Total assets less current liabilities		136,804	140,301

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		1,492	1,627
Interest-bearing borrowings		<u>20,997</u>	<u>3,000</u>
		<u>22,489</u>	<u>4,627</u>
NET ASSETS		<u>114,315</u>	<u>135,674</u>
CAPITAL AND RESERVES			
Share capital	14	17,960	17,960
Convertible notes		6,300	6,300
Reserves		<u>52,058</u>	<u>67,701</u>
Equity attributable to owners of the Company		<u>76,318</u>	91,961
Non-controlling interests		<u>37,997</u>	<u>43,713</u>
TOTAL EQUITY		<u>114,315</u>	<u>135,674</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
As at 1 January 2023 (Audited)	17,960	602,284	12,600	228,958	509	20,560	5,121	11,044	(759,271)	139,785	63,650	209,435
Loss for the period	-	-	-	-	-	-	-	-	(13,569)	(13,569)	(5,352)	(18,921)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(5,661)	-	-	(5,661)	(2,064)	(7,725)
Total comprehensive loss for the period	-	-	-	-	-	-	(5,661)	-	(13,569)	(19,230)	(7,416)	(26,646)
Convertible notes surrendered	-	-	(6,300)	-	-	-	-	-	6,300	-	-	-
As at 30 June 2023 (Unaudited)	17,960	602,284	6,300	228,958	509	20,560	(540)	11,044	(766,540)	120,555	56,234	176,789
As at 1 January 2024 (Audited)	17,960	602,284	6,300	228,958	509	21,534	1,489	11,044	(798,117)	91,961	43,713	135,674
Loss for the period	-	-	-	-	-	-	-	-	(13,926)	(13,926)	(5,173)	(19,099)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	(1,717)	-	-	(1,717)	(543)	(2,260)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,717)	-	(13,926)	(15,643)	(5,716)	(21,359)
As at 30 June 2024 (Unaudited)	17,960	602,284	6,300	228,958	509	21,534	(228)	11,044	(812,043)	76,318	37,997	114,315

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash (used in)/generated from operating activities	(29,658)	500
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	(3)	(2,881)
Proceeds from disposal of property, plant and equipment	844	6
Net cash generated from/(used in) investing activities	841	(2,875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of interest-bearing borrowings	(867)	(6,972)
Proceed from interest-bearing borrowings	9,237	—
Advance from a shareholder	2,000	2,000
Net cash outflow arising on other financing activities	(644)	(1,224)
Net cash generated from/(used in) financing activities	9,726	(6,196)
Net decrease in cash and cash equivalents	(19,091)	(8,571)
Cash and cash equivalents at the beginning of the reporting period	27,749	9,342
Effect of foreign exchange rate changes	(1,314)	3,846
Cash and cash equivalents at the end of the reporting period	7,344	4,617

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

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

The Interim Financial Information has been prepared in accordance with the same accounting policies applied in the 2023 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 2024 as set out in note 2 to the Interim Financial Information.

The preparation of the Interim Financial Information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

(Continued)

The Interim Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since the 2023 annual financial statements. The Interim Financial Information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The Interim Financial Information has been prepared on the historical cost basis except for certain property, plant and equipment that are measured at revalued amounts as appropriate.

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

The Interim Financial Information is presented in Hong Kong dollar and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

The Group is principally engaged in manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

2. APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2024 for the preparation of the Group's Interim Financial Information:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendment to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement

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

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

3. SEGMENT INFORMATION

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

3. SEGMENT INFORMATION (Continued)

The Group has one reportable segment for both periods. The reportable segment is based on the information about the operations of the Group that management uses to make decisions.

Particulars of the Group's reportable segment is summarised as follows:

Sales and manufacturing of pre-stressed high strength concrete pile, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-concrete products and related processing income (the "**PHC piles and others**")

The CODM considered the Group has only one single reporting and operating segment under HKFRS 8 *Operating Segments*, thus no segment information is presented.

Since over 90% of the Group's revenue were generated in the People's Republic of China (the "**PRC**") for both periods and over 90% of the Group's non-current assets were located in the PRC, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

3. SEGMENT INFORMATION (Continued)

Information about major customer

Revenue from customers of the corresponding period contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Customer A	11,951	–
Customer B	11,421	–

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

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue from contracts with customers recognised at a point in time:		
Sales of PHC piles and others	100,511	115,611

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

5. OTHER LOSSES, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gain, net	141	66
Loss on disposal of property, plant and equipment	(8,583)	(586)
Provision for compensation and cost for legal cases	(821)	(845)
	<u>(9,263)</u>	<u>(1,365)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings (other than unsecured bond)	406	859
Interest on unsecured bond	112	112
Interest on lease liabilities	74	84
	<u>592</u>	<u>1,055</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	5,197	7,202
Depreciation of right-of-use assets	836	797
Cost of inventories sold	54,011	64,492
Staff costs (including directors' remuneration):		
– Salaries, bonus and allowances	11,179	14,068
– Retirement benefits schemes contributions	1,287	1,191
	<u>12,466</u>	<u>15,259</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

7. LOSS BEFORE TAX (Continued)

There was no forfeiture of retirement benefits scheme contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group for both reporting periods. As at the end of each reporting period, no forfeited contribution under the retirement benefits scheme of the Group is available to reduce the contribution payable in future years.

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Over-provision in prior years	(5,360)	(1,061)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2024 and 30 June 2023.

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2024 and 30 June 2023 as the Group has no assessable profits arising in Hong Kong.

No provision for PRC Enterprise Income Tax has been made for the six months ended 30 June 2024 and 30 June 2023 as the Group has no assessable profits arising in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

8. INCOME TAX CREDIT (Continued)

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for the six months ended 30 June 2024 and 30 June 2023.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	<u>(13,926)</u>	<u>(13,569)</u>

	Six months ended 30 June	
	2024	2023
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>179,600</u>	<u>179,600</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

9. LOSS PER SHARE (Continued)

As the Company's outstanding convertible notes had an anti-dilutive effect to the basic loss per share calculation for both periods, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

10. DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 June 2024 and 30 June 2023, nor any dividend been proposed by the Board subsequent to the end of the reporting period.

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

During the period under review, the Group acquired property, plant and equipment with a cost of approximately HK\$3,000 (six months ended 30 June 2023: HK\$2,881,000).

In the opinion of the Board, the carrying amounts of property, plant and equipment as at 30 June 2024 and 30 June 2023 that are carried at revalued amounts do not differ significantly from their respective estimated fair values. Consequently, no revaluation surplus or deficit has been recognised during the six months ended 30 June 2024 and 30 June 2023.

The Group did not have any new lease agreements entered into during the six months ended 30 June 2024 and 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

12. TRADE, BILL AND LOAN RECEIVABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Trade receivables from contracts with customers	171,543	165,746
Less: allowance for credit losses	(57,080)	(58,258)
Trade receivables (net of allowance for credit losses)	114,463	107,488
Bill receivables	822	1,523
Less: allowance for credit losses	(822)	(839)
Trade and bill receivables (net of allowance for credit losses)	114,463	108,172
Loan receivables	95,454	95,454
Less: allowance for credit losses	(95,454)	(95,454)
Loan receivables (net of allowance for credit losses)	—	—
Total trade, bill and loan receivables (net of allowance for credit losses)	114,463	108,172

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

12. TRADE, BILL AND LOAN RECEIVABLES (Continued)

All trade and bill receivables (net of allowance for credit losses) are denominated in Renminbi (“**RMB**”) at the end of each reporting period.

The Group’s trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. For trade receivables resulted from sales of PHC piles and other products, the credit period is generally one to three months from the date of billing, except for certain well-established customers, where the term is extended to six months. For loan receivables, the loan period is generally twelve months from the date of inception or renewal. The Group seeks to maintain strict control over its receivables to minimise credit risk.

As at 30 June 2024, loan receivables of HK\$95,454,000 (as at 31 December 2023: HK\$95,454,000) (before allowance for credit losses) bore fixed interest rates ranging from 8% to 10% (as at 31 December 2023: 8% to 10%) per annum in accordance with respective loan agreements. According to the loan agreements/supplemental agreements, the loans receivables were secured with charges over certain unlisted securities and corporate or personal guarantees were provided, where applicable. However, in the opinion of the Directors, the enforceability of the collaterals, if any, was difficult. All of the loan receivables were past due at the end of each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

12. TRADE, BILL AND LOAN RECEIVABLES (Continued)

The aging analysis of trade and bill receivables (net of allowance for credit losses), based on the earlier of invoice date or revenue recognition date, is as follow:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Within 3 months	39,020	75,463
4 to 6 months	22,057	17,920
7 to 12 months	38,787	14,789
Over 12 months	14,599	—
	114,463	108,172

13. TRADE PAYABLES

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Within 3 months	22,081	28,511
4 to 6 months	11,331	20,993
7 to 12 months	9,147	18,224
Over 12 months	3,194	13,540
	45,753	81,268

The average credit terms received from suppliers of the Group is one month. All trade payables are denominated in RMB at the end of each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

14. SHARE CAPITAL

	Number of shares		Amount	
	As at 30 June 2024 '000 (Unaudited)	As at 31 December 2023 '000 (Audited)	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Ordinary shares of HK\$0.1 each				
Authorised:				
At the beginning and end of the reporting period	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At the beginning and end of the reporting period	<u>179,600</u>	<u>179,600</u>	<u>17,960</u>	<u>17,960</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

15. MATERIAL RELATED PARTY TRANSACTIONS

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

16. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure interest-bearing borrowings (excluded unsecured bond) of the Group:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Buildings	47,381	51,439
Plant and machinery	9,885	11,691
Right-of-use assets	21,518	22,115
	78,784	85,245

In addition, the interest-bearing borrowings (excluded unsecured bond) were secured by land and buildings held by a related company of a subsidiary of the Group and have a personal guarantee provided by the directors of a subsidiary and guarantee provided by non-controlling interests of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

17. CONTINGENT LIABILITIES

Please refer the details to Note 1 under the section of “Legal Proceedings” relating to the Plaintiffs (comprising the Company and First Billion Global Limited) and the Defendants (comprising Xiao Guang Kevin (蕭光) and Wang Zhining (王志寧)). Pleadings had recently been amended on 16 September 2022, in that the Defendants had belatedly lodged counterclaims, in the total amount of HK\$262,000,000, against the Plaintiffs.

According to the Counsel’s legal opinion dated 31 March 2023 which is updated on 26 March 2024, the counterclaims, which may be disallowed, be recognised as contingent liability on the following groundings:

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

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 16%, 75% and 9% (six months ended 30 June 2023 (**“FP2023”**): approximately 21%, 63% and 16%) respectively to the revenue of PHC Pile and Others Business of the Group for the six months ended 30 June 2024 (**“FP2024”**).

Revenue from external customers for FP2024 was HK\$100,511,000 compared with HK\$115,611,000 reported in FP2023, which decreased by approximately 13% due to the weakening of property and construction market.

MANAGEMENT DISCUSSION AND ANALYSIS

Other losses, net

Other losses, net for FP2024 amounted to HK\$9,263,000 (FP2023: HK\$1,365,000), represented an increase of approximately 579%, which was mainly due to the compliance with the environmental requirements, part of the production facilities have to be relocated or re-arranged and this gives rise to a loss on disposal of property, plant and equipment amounting to approximately HK\$8,583,000.

Selling and distribution expenses

Selling and distribution expenses for FP2024 amounted to HK\$20,927,000 (FP2023: HK\$23,347,000), represented a decrease of 10%. The decrease in selling and distribution expenses for FP2024 was mainly due to the decrease in transportation costs. Selling and distribution expenses for FP2024 mainly comprised transportation costs of HK\$19,199,000.

Administrative expenses

Administrative expenses for FP2024 amounted to HK\$9,861,000 (FP2023: HK\$11,880,000), representing a decrease of 17%, which was mainly due to the decrease in staff costs. Administrative expenses for FP2024 mainly comprised staff costs (including directors' remuneration) of HK\$5,500,000.

Finance costs

Finance cost for FP2024 amounted to HK\$592,000 (FP2023: HK\$1,055,000), representing a decrease of 44%, which was due to the decrease in interest on interest-bearing borrowings (other than unsecured bond) during FP2024. Finance costs for FP2024 were interest on interest-bearing borrowings (other than unsecured bond) of HK\$406,000, interest expenses for unsecured bond of HK\$112,000 and interest on lease liabilities of HK\$74,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss before tax

Loss before tax was HK\$24,459,000 for FP2024 compared with loss before tax of HK\$19,982,000 reported in FP2023. It was mainly due to the decrease in revenue and gross profit but increase in other losses, net for FP2024 as compared with those reported in FP2023. The gross profit for FP2024 was HK\$16,811,000 compared with HK\$17,436,000 reported in FP2023, which decreased by 4%. The overall gross profit ratio increased from 15.1% in FP2023 to 16.7% in FP2024 because of the improvement in profitability of the pre-stressed high-strength concrete piles.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2024, equity attributable to owners of the Company was HK\$76,318,000, representing a decrease of approximately 17% as compared with that as at 31 December 2023. As at 30 June 2024, the Group's cash and cash equivalents stood at HK\$7,344,000 which were denominated in Hong Kong Dollars and Renminbi whereas total interest-bearing borrowings were HK\$39,194,000. The annual interest rates of the borrowings for FP2024 ranged from 3.45% to 7.50% per annum. Approximately 46% of the total interest-bearing borrowings were accounted for as current liabilities of the Group. The above borrowings were denominated in Hong Kong Dollars and Renminbi. During FP2024, 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 180% as at 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT AND ACQUISITION

The Group has no significant investment and acquisition during FP2024.

CAPITAL STRUCTURE

Convertible notes

As the convertible notes with principal amount of HK\$15,000,000 had been surrendered as mentioned under the section of “Legal Proceedings”, the corresponding equity, in the amount of HK\$6,300,000, relating to these convertibles notes be written off to accumulated losses as a movement of reserves during 2023 interim period.

As at 30 June 2024, the Company had outstanding convertible notes with principal amount of HK\$15,000,000. Based on the opinions obtained from the legal adviser of the Company, in view of the on-going legal proceedings mentioned under the paragraphs headed “Contingent Liabilities” and “Legal Proceedings” in this report, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

Share options

No share options were granted, exercised, cancelled or lapsed during FP2024 and FP2023.

PLEDGED OF ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had approximately 258 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 2024 (31 December 2023: Nil).

CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

China's GDP growth in the second half of 2024 is expected to reach about 5%. After experiencing an overall slowdown in 2023, support policies, such as moderately loose monetary and fiscal policies introduced by the Chinese government, are gradually taking effect. It is expected that despite the geopolitical tensions facing the Asian economy, China's consumer demand in the second half of 2024 will gradually recover.

There have been recent signs that domestic real estate sales have improved. During the just-concluded Third Plenary Session of the Central Committee of the Communist Party of China, China remains open and hopes to attract more foreign investment into China. It is expected that the Chinese government will launch some measures in the coming months. With policy measures to support the property market, the domestic property market may be under a more stable environment next year. In addition, it is forecasted that the U.S. Federal Reserve will cut interest rates starting from September this year that is beneficial to the property market.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Upon specific enquiry by the Company and based on the confirmations from the Directors, save as set out below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the six months ended 30 June 2024 and up to the date of this report:

- (1) Mr. Lum Pak Sum had resigned as an independent non-executive director from Imperial Pacific International Holdings Limited (stock code: 1076) effective 12 April 2024.
- (2) Mr. Choi Pun Lap was appointed as an independent non-executive director by China Smarter Energy Group Holdings Limited (stock code: 1004) on 1 August 2024.

LEGAL PROCEEDINGS

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

1. The Company/its subsidiary as the plaintiff

By a Generally Indorsed Writ of Summons dated 23 June 2015 and Statement of Claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the "**Plaintiffs**") against Xiao Guang Kevin (蕭光) ("**Mr. Xiao**") and Wang Zhining (王志寧) ("**Mr. Wang**") (collectively, the "**Defendants**"), the vendor and the guarantor, respectively, all of whom were parties to a very substantial acquisition of the Company (the "**VSA**") as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, the Plaintiffs claimed that the Defendants had fundamentally breached the terms and conditions of the SPA (the "**SPA Legal Proceedings**"). Accordingly, the Plaintiffs were seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao. As at 30 June 2024, the outstanding convertible notes, with principal amount of HK\$15,000,000, were under dispute.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

In early 2023, Ms. Liu had requested to discontinue her claims against the Company provided that the Plaintiffs discontinued their claims against Ms. Liu upon the receipt of the convertible notes with principal amount of HK\$15,000,000 by the Company’s solicitors from Ms. Liu’s solicitors. According to the consent order dated 21 June 2023, the Plaintiffs’ claims against Ms. Liu was dismissed with no order as to costs.

MANAGEMENT DISCUSSION AND ANALYSIS

2. The Company's subsidiary as the defendant

- (a) Reference was made to the Company's announcement dated 11 November 2016 and the Annual Report 2023 in relation to the legal proceedings involving 寇金水 (Kou Jinshui) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.*) ("**Zhuhai Hechuan**"), independent third parties, as Plaintiffs and Zhuhai Hoston, an indirectly non-wholly owned (95%) subsidiary of the Company, as defendant. Upon the application of Kou Jinshui, who was also the legal representative of Zhuhai Hechuan, Zhuhai Hoston's 70% equity interest in Guangdong Hengjia was suspended for the three years from 23 August 2022 to 22 August 2025 (the "**Frozen Shares**") by the Xiangzhou People's Court (the "**Xiangzhou Court**") pursuant to an execution order dated 9 August 2022. On 10 April 2023, it was held by the Xiangzhou Court that the suspended equity interest in Guangdong Hengjia be reduced from 70% to 50%.

As at 30 June 2024, the total outstanding amounts including interest due by Zhuhai Hoston to Kou Jinshui and Zhuhai Hechuan were approximately RMB2,100,000 and RMB4,400,000 respectively. The freezing of the Frozen Shares is only an assets preservation measure by litigants in pending lawsuits. Nevertheless, the Group retains to have control and ownership in such Frozen Shares and there will not have material impact on the operations of Guangdong Hengjia. As at the date of this report, the Frozen Shares are still in force pending the repayment of the outstanding debts that will be handled as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

- (b) Reference was made to the Company's announcement dated 12 December 2022, Sunway FM, an indirectly wholly-owned subsidiary of the Company, received a statutory demand (the **"First Statutory Demand"**) on 9 December 2022 from Messrs. Gallant, a solicitors firm previously acting for Sunway FM, pursuant to Sections 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), demanding Sunway FM to pay an amount of approximately HK\$958,000, being the outstanding fees and relevant interest incurred due and owed by Sunway FM for legal services previously provided.

The Board of the Company announces that on 15 November 2023, Sunway FM received a statutory demand (the **"Second Statutory Demand"**) from Messrs. Gallant pursuant to Sections 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), demanding Sunway FM to pay an amount of approximately HK\$754,000 (the **"Revised Outstanding Fees"**), being the outstanding fees due and owed by Sunway FM for legal services previously provided. The amount claimed under the Second Statutory Demand represents the revised claim amount under the First Statutory Demand as disclosed in the announcement dated 12 December 2022.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Reference was 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**”) had failed to settle any outstanding loans and interests as at 31 December 2019. As a result, Sunway FM had taken the following legal proceedings against the Loan Debtors:

(a) *Huali Capital Investment Holding Co., Limited (“Huali Capital”)*

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

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) In respect of the guarantor Tailor Wealth, legal advice had been obtained from a BVI legal firm, namely Appleby, to take legal action against Tailor Wealth. A Winding Up Order was made on 18 January 2021 and it was ordered that Tailor Wealth be liquidated by the Court. Mr. Matthew Richardson of Grant Thornton (British Virgin Islands) Limited, a licensed insolvency practitioner in BVI and Mr. David Bennett of Grant Thornton Recovery & Reorganisation Limited in Hong Kong had been appointed as Joint Liquidators. The Joint Liquidators reported that they were yet to receive a response from a number of the parties identified and contacted previously. From the records and information received, there was no evidence of any assets held by Tailor Wealth.

(b) *Mei Rui Group Limited (“Mei Rui”)*

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

Upon Mei Rui’s request, the Joint Liquidators were informed to withhold the liquidation procedure until further notice as the parties had negotiated the settlement terms on repayment of indebtedness but there was no further progress.

MANAGEMENT DISCUSSION AND ANALYSIS

(c) *Shenzhen Siping Investment Company Limited* (“**Shenzhen Siping**”)

In respect of the loan advanced to Shenzhen Siping (a company incorporated in the PRC), legal advice had been obtained from a legal firm in the Mainland China, namely Zhuoxin Law Firm, to commence legal actions against Shenzhen Siping and 鄭肇宏 (“**Mr. Zheng**”), the director of Shenzhen Siping, for the recovery of the outstanding loan receivables in August 2020. Sunway FM had applied to withdraw the claim against Shenzhen Siping and Mr. Zheng on the ground that there was insufficient evidence to proceed with the claim. Sunway FM had been refunded of part of the costs of the legal action from Shenzhen Qianhai Cooperation Zone People’s Court.

(d) *Fuzhou Xufa Trading Company Limited* (“**Fuzhou Xufa**”)

In respect of the loan advanced to Fuzhou Xufa (a company incorporated in the PRC), legal advice had been obtained from Zhuoxin Law Firm to commence legal action against Fuzhou Xufa for the recovery of outstanding loan receivables. Subsequently, Fuzhou Xufa contacted Sunway FM that it wished to negotiate for settlement of the debt on the condition that the legal action be withdrawn. A cheque in the sum of HK\$1,000,000 was tendered to Sunway FM as earnest money for settlement negotiation. On 21 September 2020, Sunway FM accepted Fuzhou Xufa’s request for settlement negotiation. Sunway FM therefore instructed Zhuoxin Law Firm to notify the Court of its intention to withdraw the case for settlement negotiation and it had been refunded of part of the costs of the legal action from Fuzhou Immediate People’s Court.

As advised by the PRC solicitors, there was insufficient evidence to proceed with the claim. Furthermore, a company search had been carried out by a professional firm in January 2024 and it was found that Fuzhou Xufa had been deregistered.

MANAGEMENT DISCUSSION AND ANALYSIS

(e) *Charmate Development Limited* (“**Charmate**”)

- (i) In respect of the loans advanced to Charmate (a company registered in the BVI) which were guaranteed by Mr. Chen Zhiguo 陳志國 (“**Mr. Chen**”) (being a Chinese national), legal advice had been obtained from Appleby to take legal action against Charmate. A Winding Up Order was made on 18 January 2021 and it was ordered that Charmate be liquidated by the Court. Mr. Matthew Richardson and Mr. David Bennett had been appointed as the Joint Liquidators. The Joint Liquidators reported that they were yet to receive a response from a number of the parties identified and contacted previously. From the records and information received, there was no evidence of any assets held by Charmate.
- (ii) Legal action for the recovery of outstanding loan receivables from Mr. Chen, the guarantor, had been commenced in Fujian Putian Intermediate People’s Court (the “**FPIP Court**”). Zhuoxin Law Firm, Sunway FM’s PRC legal representative, and Mr. Chen’s legal representative attended a hearing on 26 October 2021, in which both parties had submitted evidence. The FPIP Court held that Mr. Chen was liable to refund the outstanding loan principal, interest accrued thereon and the relevant legal and professional fees to Sunway FM (the “**First Judgement**”). According to Fujian Provincial Higher People’s Court’s judgement dated 30 May 2022, the First Judgement was confirmed and this should be the final decision.

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

MANAGEMENT DISCUSSION AND ANALYSIS

(f) *Fuzhou Dongye Trading Company Limited (“Fuzhou Dongye”)*

In respect of the loan advanced to Fuzhou Dongye and the subsequent assignment of loan to Sky Long Group Limited (“**Sky Long**”), legal advice had been obtained from a Samoa legal firm, namely Leung Wai Law Firm as to the most cost-effective way to recover the loan receivables from Sky Long. It had been noted that Sky Long was the holding company of Tailor Wealth which was the holding company of Huali Capital. Sunway FM’s solicitors had advised that as winding up and enforcement actions had been taken against Tailor Wealth and Huali Capital, actions would be taken against Sky Long after the result of the liquidation of Tailor Wealth in the BVI and Huali Capital in Hong Kong in order to save costs.

However, a company search had been carried out by a professional firm in January 2024 and it was found that Fuzhou Dongye had been deregistered.

Save as disclosed above and elsewhere in this report, as at the date of this report, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024.

* *For identification purpose only*

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2024, none of the Directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**").

SHARE OPTION SCHEME

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme")

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

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

DISCLOSURE OF ADDITIONAL INFORMATION

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

The total number of shares issued and to be issued upon exercise of the share options granted under the Option Scheme and other share option schemes of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company. Share options granted under the Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also a grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5,000,000, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

DISCLOSURE OF ADDITIONAL INFORMATION

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

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

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

No share options were granted, exercised, cancelled or lapsed during FP2024 and FP2023.

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

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed “Directors’ and chief executives’ interests and short positions in shares and underlying shares” and “Share option scheme” as disclosed in the immediately preceding section, at no time during the six months ended 30 June 2024 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

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

As at 30 June 2024, so far as is known to the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

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

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

DISCLOSURE OF ADDITIONAL INFORMATION

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

Notes:

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

Save as disclosed above, as at 30 June 2024, the Company had not been notified of any persons (other than the Directors and chief executive of the Company) having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF ADDITIONAL INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix C1 to the Listing Rules during the six months ended 30 June 2024 and as at the date of this report except for the following deviation.

Identity of the chairman and chief executive and whether their roles are separate

Following the resignation of Mr. Li Chongyang, former Managing Director, and Mr. Fok Po Tin, former Chairman, on 27 August 2021 and 1 January 2022 respectively, the Company had no designated Director to act as a chairman or a chief executive. The responsibility of a chairman or a chief executive rests with the board of directors of the Company and the Company fails to comply with code provision C.2.1 of the Code contained in Appendix C1 to the Listing Rules.

The Company has made endeavors however more time is required to identify suitable candidate to be the chairman and chief executive in order to comply with the Code. The Company will continue with such endeavors and will comply with the Code as soon as possible.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the financial reporting, risk management and internal controls of the Group. The Audit Committee comprises the three independent non-executive Directors, namely Mr. Choi Pun Lap (chairman of the Audit Committee), Mr. Yu Shui Sang Bernard and Mr. Wong Yue Kwan Alan. The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2024 and this report have been reviewed by the Audit Committee.

DISCLOSURE OF ADDITIONAL INFORMATION

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

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

Hong Kong, 23 August 2024