

SEARCH

ANALYSIS



SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058

INTERIM REPORT 2019

ANALYSIS

SEARCH

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CORPORATE INFORMATION

DIRECTORS

Executive Director:

Chim Sai Yau, Oscar (*Chairman*)
(*appointed on 28 May 2019*)
Li Chongyang (*Managing Director*)
Law Chun Choi
(*appointed on 28 May 2019*)
Qi Jiao
(*resigned on 22 May 2019*)
Lam Kai Yeung
(*resigned on 6 June 2019*)
Leung Chi Fai
(*resigned on 22 May 2019*)

Non-executive Director:

Lum Pak Sum
(*appointed on 28 May 2019*)
Huang Weidong (*Chairman*)
(*retired on 24 May 2019*)

Independent Non-executive Director:

Chan Sung Wai
(*appointed on 6 June 2019*)
Choi Pun Lap
(*appointed on 28 May 2019*)
Tong Leung Sang
(*appointed on 6 June 2019*)
Cong Yongjian
(*resigned on 6 June 2019*)
Lam Huen Sum
(*resigned on 6 June 2019*)
Ng Yuk Lam
(*resigned on 22 May 2019*)

COMPANY SECRETARY

Law Chun Choi
(*appointed on 6 June 2019*)
Lam Kai Yeung
(*resigned on 6 June 2019*)

LEGAL ADVISERS

As to Bermuda law:
Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to Hong Kong law:
King & Wood Mallesons
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701-3 & 8, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Law Chun Choi
(appointed on 6 June 2019)

Li Chongyang

Lam Kai Yeung
(resigned on 6 June 2019)

AUDIT COMMITTEE

Choi Pun Lap (*Chairman*)
(appointed on 28 May 2019)

Tong Leung Sang
(appointed on 6 June 2019)

Chan Sung Wai
(appointed on 6 June 2019)

Ng Yuk Lam (*Chairman*)
(resigned on 22 May 2019)

Cong Yongjian
(resigned on 6 June 2019)

Lam Huen Sum
(resigned on 6 June 2019)

REMUNERATION COMMITTEE

Chan Sung Wai (*Chairman*)
(appointed on 6 June 2019)

Choi Pun Lap
(appointed on 28 May 2019)

Chim Sai Yau, Oscar
(appointed on 28 May 2019)

Law Chun Choi
(appointed on 28 May 2019)

Tong Leung Sang
(appointed on 6 June 2019)

Ng Yuk Lam (*Chairman*)
(resigned on 22 May 2019)

Cong Yongjian
(resigned on 6 June 2019)

Huang Weidong
(retired on 24 May 2019)

Lam Huen Sum
(resigned on 6 June 2019)

Lam Kai Yeung
(resigned on 6 June 2019)

NOMINATION COMMITTEE

Chim Sai Yau, Oscar (*Chairman*)
(appointed on 28 May 2019)

Lum Pak Sum
(appointed on 28 May 2019)

Choi Pun Lap
(appointed on 28 May 2019)

Tong Leung Sang
(appointed on 6 June 2019)

Chan Sung Wai
(appointed on 6 June 2019)

Huang Weidong (*Chairman*)
(retired on 24 May 2019)

Cong Yongjian
(resigned on 6 June 2019)

Lam Kai Yeung
(resigned on 6 June 2019)

Lam Huen Sum
(resigned on 6 June 2019)

Ng Yuk Lam
(resigned on 22 May 2019)

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
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

In Hong Kong:
Bank of Communication Co., Ltd,
Hong Kong Branch
Dah Sing Bank Limited
Industrial Bank Co., Ltd,
Hong Kong Branch

In the People's Republic of China (the "PRC"):
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 INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended	
	Notes	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
REVENUE	4	150,889	200,187
Cost of sales		(117,212)	(144,565)
Gross profit		33,677	55,622
Other income		2,157	5,720
Other gains and losses	5	(225,514)	(5,154)
Selling and distribution expenses		(32,986)	(28,492)
Administrative expenses		(19,848)	(23,027)
Other expenses		(288)	(171)
Finance costs	6	(1,764)	(1,688)
(LOSS)/PROFIT BEFORE TAX	7	(244,566)	2,810
Income tax expenses	8	(902)	(2,033)
(LOSS)/PROFIT FOR THE PERIOD		(245,468)	777
(Loss)/Profit for the period attributable to:			
Owners of the Company		(243,025)	(4,712)
Non-controlling interests		(2,443)	5,489
		(245,468)	777
Loss per share attributable to owners of the Company for the period	10		
Basic and diluted		HK\$(0.352)	HK\$(0.007)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(245,468)	777
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	134	(2,863)
Items that will not be reclassified to profit or loss:		
Revaluation of items of property, plant and equipment	(12,315)	–
Tax effect of revaluation of items of property, plant and equipment	3,202	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(8,979)	(2,863)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(254,447)	(2,086)
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(248,801)	(6,517)
Non-controlling interests	(5,646)	4,431
	(254,447)	(2,086)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	114,019	96,380
Right-of-use assets	11	47,370	–
Prepaid land lease payments		–	37,738
Goodwill		19,941	19,941
Deferred tax assets		12,295	11,705
Construction in progress		958	–
		<hr/>	<hr/>
Total non-current assets		194,583	165,764
CURRENT ASSETS			
Inventories		31,297	25,822
Trade and bill receivables	12	83,037	184,584
Prepayments, deposits and other receivables	13	93,694	284,186
Restricted bank deposits		4	49
Cash and cash equivalents		27,112	23,156
		<hr/>	<hr/>
Total current assets		235,144	517,797
CURRENT LIABILITIES			
Trade payables	14	47,131	61,890
Contract liabilities		2,874	3,422
Other payables and accruals	15	22,916	41,189
Lease liabilities		4,565	–
Amount due to a non-controlling shareholder of a subsidiary	17(a)	494	494
Amount due to a controlling shareholder		98	–
Interest-bearing borrowings		35,449	10,530
Tax payable		7,507	6,158
		<hr/>	<hr/>
Total current liabilities		121,034	123,683

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
NET CURRENT ASSETS		114,110	394,114
TOTAL ASSETS LESS CURRENT LIABILITIES		308,693	559,878
NON-CURRENT LIABILITIES			
Deferred tax liabilities		4,509	8,639
Provision for long service payment		15	17
Interest-bearing borrowings		3,000	17,458
Lease liabilities		4,880	–
Total non-current liabilities		12,404	26,114
NET ASSETS		296,289	533,764
EQUITY			
Share capital	16	74,894	62,414
Convertible notes		12,600	12,600
Reserves		134,446	378,755
Equity attributable to owners of the Company		221,940	453,769
Non-controlling interests		74,349	79,995
TOTAL EQUITY		296,289	533,764

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to Owners of the Company												
	Share capital HK\$'000 (Unaudited)	Convertible notes HK\$'000 (Unaudited)	Share premium account HK\$'000 (Unaudited)	Share contributed surplus HK\$'000 (Unaudited)	Capital redemption HK\$'000 (Unaudited)	Share option reserve HK\$'000 (Unaudited)	Asset revaluation reserve HK\$'000 (Unaudited)	Exchange fluctuation reserve HK\$'000 (Unaudited)	PRC statutory reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
As at 1 January 2019	62,414	12,600	598,771	157,118	509	21,524	16,224	(5,769)	9,646	(419,268)	453,769	79,995	533,764
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	-	(243,025)	(243,025)	(2,443)	(245,468)
Other comprehensive loss for the period:													
Deficit on revaluation of items of property, plant and equipment net of tax	-	-	-	-	-	-	(5,896)	-	-	-	(5,896)	(3,217)	(9,113)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	120	-	-	120	14	134
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(5,896)	120	-	(243,025)	(248,801)	(5,646)	(254,447)
Share options cancelled	-	-	-	-	-	(21,524)	-	-	-	21,524	-	-	-
Issuance of Shares	12,480	-	4,492	-	-	-	-	-	-	-	16,972	-	16,972
Transfer of PRC statutory reserve	-	-	-	-	-	-	-	-	15	(15)	-	-	-
As at 30 June 2019	74,894	12,600	603,263	157,118	509	-	10,328	(5,649)	9,661	(640,784)	221,940	74,349	296,289
As at 1 January 2018	64,271	12,600	606,927	157,118	509	24,159	11,179	(1,688)	8,282	(369,432)	513,925	73,254	587,179
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	-	(4,712)	(4,712)	5,489	777
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(1,805)	-	-	(1,805)	(1,058)	(2,863)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	(1,805)	-	(4,712)	(6,517)	4,431	(2,086)
Shares repurchased and cancelled	(1,857)	-	(8,099)	-	1,857	-	-	-	-	(1,857)	(9,956)	-	(9,956)
Transfer of PRC statutory reserve	-	-	-	-	-	-	-	-	1,156	(1,156)	-	-	-
Transaction cost attributable to Shares repurchased and cancelled	-	-	(57)	-	-	-	(605)	-	-	-	(57)	-	(57)
Disposal of assets	-	-	-	-	-	-	-	-	-	605	-	-	605
As at 30 June 2018	62,414	12,600	598,771	157,118	2,366	24,159	10,574	(3,493)	9,438	(376,552)	497,395	77,685	575,080

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Net cash generated from/(used) in operating activities	20,465	(19,386)
Net cash (used in)/generated from investing activities	(42,298)	11,058
Net cash generated from/(used in) financing activities	25,352	(12,500)
Net increase/(decrease) in cash and cash equivalents	3,519	(20,828)
Cash and cash equivalents at the beginning of the period	23,156	77,146
Effect of foreign exchange rate changes	437	(5,033)
Cash and cash equivalents at the end of the period	<u>27,112</u>	<u>51,285</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>27,112</u>	<u>51,285</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. CORPORATE INFORMATION

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

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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

- HKFRS 16 Leases
- HK (IFRIC) 23 Uncertainty over income tax treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Principal accounting policies *(Continued)*

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Principal accounting policies *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Allocation of consideration to components of a contract *(Continued)*

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Principal accounting policies (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Principal accounting policies *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Lease liabilities *(Continued)*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Principal accounting policies *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Lease modifications *(Continued)*

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

2.2.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Principal accounting policies *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. The Group recognizes a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17 at its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment; and
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Principal accounting policies (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$11,090,000 and right-of-use assets of HK\$49,624,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 7.5%.

2.2.3 Nature of the effect of adoption of HKFRS 16

- (a) Recognising the lease liabilities for leases previously classified as operating lease:

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	12,352
Lease liabilities discounted at relevant incremental borrowings rate	(1,107)
Less: Recognition exemption – Short term leases	(155)
	<hr/>
Lease liabilities as at 1 January 2019	11,090
	<hr/> <hr/>
Analysed as	
Current	4,686
Non-current	6,404
	<hr/>
	11,090
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Principal accounting policies (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2.3 Nature of the effect of adoption of HKFRS 16 (Continued)

- (b) The carrying amount of right-of-use assets as at 1 January 2019 comprises the followings:

	Note	Right-of-use asset HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS16		11,090
Reclassified from prepaid lease payments	(a)	38,534
		<hr/>
Right-of-use assets as at 1 January 2019		49,624
		<hr/> <hr/>
By class:		
Land and buildings		49,624
		<hr/> <hr/>

Note (a) Upfront payments for leasehold lands in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$796,000 and HK\$37,738,000 respectively were reclassified to right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Principal accounting policies (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2.3 Nature of the effect of adoption of HKFRS 16 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustment HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	49,624	49,624
Prepaid land lease	37,738	(37,738)	–
Current assets			
Prepayments	796	(796)	–
Current liability			
Lease liabilities	–	4,686	4,686
Non-current liability			
Lease liabilities	–	6,404	6,404

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Principal accounting policies (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2.3 Nature of the effect of adoption of HKFRS 16 (Continued)

- (c) Movement of the lease liabilities and right-of-use assets during the period

	Right-of-use assets HK\$'000	Lease liabilities and other payables HK\$'000
Reclassification of operating lease	11,090	11,090
Reallocated from Prepaid lease assets	38,534	–
	<u>49,624</u>	<u>11,090</u>
As at 1 January 2019		
Additional of new lease during the period	444	444
Depreciation of right of use	(2,692)	–
Exchange difference	(6)	–
Interest on lease liabilities	–	389
Repayment on lease liabilities	–	(2,089)
Repayment on interest on lease liabilities	–	(389)
	<u>47,370</u>	<u>9,445</u>
As at 30 June 2019		
	<u>HK\$'000</u>	<u>HK\$'000</u>
Classification		
Current	–	4,565
Non-current	47,370	4,880
	<u>47,370</u>	<u>9,445</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of information reported to the Executive Directors, being the chief operating decision maker ("CODM"), in order to allocate resources to the segments and to assess their performances.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

- Sales and manufacturing of high-strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products (the "PHC piles and others"); and
- Money lending (the "Financial Service").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reporting segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that head office and corporate expenses, bank interest income, other gains and losses, net and finance costs are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets exclude goodwill, derivative instruments, deferred tax assets, financial assets at FVPL, restricted bank deposits, pledged bank deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment liabilities exclude interest-bearing borrowings, tax payable, deferred tax liabilities, other payable and unallocated head office and corporate liabilities, as these liabilities are managed on a group basis. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. OPERATING SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue, assets and liabilities by reportable and operating segments:

	PHC piles and others HK\$'000	Financial service HK\$'000	Total HK\$'000
For the six months ended			
30 June 2019			
Segment revenue			
Revenue from external customers	150,510	379	150,889
Segment results	(4,364)	(119,032)	(123,396)
Reconciliation:			
Bank interest income			26
Other gains and losses, net			(106,783)
Finance costs			(1,764)
Unallocated head office and corporate expenses			(12,649)
Loss before tax			(244,566)
Income tax expense			(902)
Loss for the period			<u>(245,468)</u>
As at 30 June 2019			
Segment assets	344,662	6,937	351,599
Unallocated assets			78,128
			<u>429,727</u>
Segment liabilities	(44,985)	(2,292)	(47,277)
Unallocated liabilities			(86,161)
			<u>(133,438)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. OPERATING SEGMENT INFORMATION (Continued)

	PHC piles and others HK\$'000	Financial service HK\$'000	Total HK\$'000
For the six months ended			
30 June 2018			
Segment revenue			
Revenue from external customers	194,525	5,662	200,187
Segment results	17,102	(3,340)	13,762
Reconciliation:			
Bank interest income			75
Other gains and losses, net			2
Finance costs			(1,688)
Unallocated head office and corporate expenses			(9,341)
Profit before tax			2,810
Income tax expense			(2,033)
Profit for the period			777
As at 31 December 2018			
Segment assets	387,546	128,751	516,297
Unallocated assets			167,264
			683,561
Segment liabilities	(77,631)	(1,084)	(78,715)
Unallocated liabilities			(71,082)
			(149,797)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

4. REVENUE

Revenue, represents the net invoiced value of goods sold, after allowances for return and trade discounts, and interest on loans to customers during the period.

An analysis of revenue is as follows:

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
<i>Revenue from contract with customers</i>		
Sales of PHC piles and others	150,510	194,525
<i>Revenue from other sources</i>		
Financial service	379	5,662
	150,889	200,187

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

4. REVENUE (Continued)

Revenue from contract with customers

Disaggregated revenue information

Segment – PHC piles and others

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Types of goods or service		
Sales of PHC piles and others	<u>150,510</u>	<u>194,525</u>
Geographical market		
PRC	<u>150,510</u>	<u>194,525</u>
Timing of revenue recognition		
A point in time	<u>150,510</u>	<u>194,525</u>
Revenue from contract with customers		
External customers	<u>150,510</u>	<u>194,525</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Exchange difference, net	(40)	(1,641)
Net loss arising on financial assets at fair value through profit or loss	–	(442)
Provision for impairment loss of trade receivables, net of reversal	(118,731)	(4,653)
Provision for impairment loss of prepayments, deposits and other receivables, net	(103,528)	(1,866)
Loss on disposal of property, plant and equipment	(2,443)	(2,826)
(Under)/Over-provision of penalty and fine	(772)	6,274
	(225,514)	(5,154)

6. FINANCE COSTS

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Interest on bank borrowings	1,263	1,633
Interest on bond	112	55
Imputed interest on lease liabilities	389	–
	1,764	1,688

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is arrived at after charging/(crediting):

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Amortisation of prepaid land lease payments	–	294
Depreciation for property, plant and equipment	8,650	10,319
Depreciation of right-of-use assets	2,692	–
Operating lease charges in respect of land and buildings	93	2,232
Cost of inventories sold	84,218	100,059
Staff costs (including directors' remuneration):		
– Salaries, bonuses and allowances	18,381	18,083
– Retirement benefits scheme contributions	992	1,206
– Reversal of provision for long service payment, net	(2)	(2)
	19,371	19,287

8. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made during the period (six months ended 30 June 2018: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the standard rate of 25% (six months ended 30 June 2018: 25%).

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Current tax — PRC Enterprises Income Tax		
– Current tax for the period	1,373	5,798
– Under/(Over) provision in prior years	1,060	(1,298)
	2,433	4,500
Deferred tax	(1,531)	(2,467)
	902	2,033

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

9. DIVIDEND

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (30 June 2018: Nil).

10. LOSS PER SHARE

Basic loss per share amount is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue throughout the period.

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Loss:		
Loss for the period attributable to owners of the Company used in the basic loss per share calculation	<u>(243,025)</u>	<u>(4,712)</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis loss per share	<u>690,329</u>	<u>628,686</u>

For the six months ended 30 June 2019 and 30 June 2018, no adjustment has been made to the basic loss per share amounts presented, as the effects of all convertible notes and share options are anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

During the six months ended 30 June 2019, the Group acquired the property, plant and equipment of approximately HK\$42,180,000 (30 June 2018: HK\$457,000), depreciation of property, plant and equipment recognised in unaudited condensed consolidated statement of comprehensive income was HK\$8,650,000 (30 June 2018: HK\$10,319,000) and the revaluation deficit of property, plant and equipment for the period was HK\$12,315,000 (30 June 2018: Nil).

During the six months ended 30 June 2019, the Group recognised right-of-use assets of approximately HK\$47,370,000 in relation to the application of HKFRS 16.

12. TRADE AND BILL RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Loan, trade and bill receivables, gross	259,126	241,980
Less: provision for impairment loss	(176,089)	(57,396)
	83,037	184,584

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 goods and services, the credit period is generally one to three (2018: 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 to eighteen (2018: twelve to eighteen) 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 2019, except for the loan receivables of HK\$5,677,000 (2018: HK\$127,737,000) which bore fixed interest rate of 10% (2018: 8% to 10%) per annum and, of which nil (2018: HK\$93,800,000) was secured with charges over the shares of the borrowers and/or personal guarantees, trade receivables are non-interest bearing and unsecured.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

12. TRADE AND BILL RECEIVABLES (Continued)

(a) Ageing analysis

The ageing analysis of loan receivables, based on the date of inception or renewal for loans and net of provision, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 3 months	–	28,791
4 to 6 months	–	45,433
7 to 12 months	5,677	53,513
Over 12 months	–	–
	<hr/> 5,677 <hr/>	<hr/> 127,737 <hr/>

The ageing analysis of trade and bill receivables, based on the invoice date and net of provision, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 3 months	65,879	44,182
4 to 6 months	2,038	1,339
7 to 12 months	2,982	3,267
Over 12 months	6,461	8,059
	<hr/> 77,360 <hr/>	<hr/> 56,847 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

12. TRADE AND BILL RECEIVABLES (Continued)

(b) Impairment of trade and bill receivables

The movement in provision for impairment of loan, trade and bill receivables is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Balance at beginning of period/year	57,396	53,868
Impairment loss recognised	121,254	17,131
Impairment loss reversed	(2,523)	(4,652)
Amounts written off	–	(6,426)
Exchange realignment	(38)	(2,525)
	<hr/> 176,089 <hr/>	<hr/> 57,396 <hr/>

Included in the above provision for impairment loss was a full provision for individually impaired loan, trade and bill receivables of HK\$176,089,000 (2018: HK\$57,396,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers, their ongoing relationship with the Group and the ageing of those receivables.

(c) For loan receivables

As at 30 June 2019, the loan receivables amounted HK\$135,948,000, in which transaction amount HK\$5,808,000, HK\$75,152,000 and HK\$54,988,000 were occurred during the year 2018, year 2017 and year 2016 respectively. The Impaired Loan Receivables represented by 7 external borrowers.

The Group had followed its own credit assessment policies and procedures which were the same as prior year. The management assessed the recoverability of each application before approving the grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

12. TRADE AND BILL RECEIVABLES *(Continued)*

(c) For loan receivables *(Continued)*

The management took into account various factors in credit analysis, which mainly included the financial capability as well as the repayment history and recent market information (for renewal) of the borrowers. The responsible team for money lending business had to obtain and check the relevant documents including financial information, latest audited financial statements if available, identity proof and registration documents etc. for each borrower, as well as the guarantor. The team would perform due diligence as appropriate in each case which might include litigation search, credit search, company search and internet search for each borrower if considered necessary. Those searches would be done by the team or external independent professionals. In addition, all borrowers had to confirm independence to the Group by signing an independence confirmation. All loans granted had to be approved in a board meeting.

The Group has noticed that 6 borrowers (and their guarantors, if any) (together known as the "Loan Debtors") failed to repay any outstanding principals and interest during the six-month ended 30 June 2019 and up to the report date of the interim report.

According to the loan agreements, the Loan Debtors had been in default for loans repayment for which the enforceability of the collaterals, if any, was quite difficult. The maturity dates of about half of the loans had already been due.

Based on the Loan Debtors' repayment history, for which contractual payments were more than 30 days past due, during the six-month period ended 30 June 2019 and the responses from the Loan Debtors to the recent legal demand letters issued by the Company's solicitors, the above were indicative of significant increases in credit risk since initial recognition.

Based on the above-mentioned factors, the Group's loan receivables were credit-impaired as one or more events that had a detrimental impact on the estimated future cash flows of that financial asset of loan receivables had occurred.

The Group has been seeking legal advice so as to take appropriate legal proceedings in the near future so as to recover the receivables, if necessary.

The Group will continue the relevant legal proceedings as soon as possible.

As at 30 June 2019, provision of impairment loss on loan receivables was made amounted HK\$130,271,000 (2018: HK\$12,963,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

12. TRADE AND BILL RECEIVABLES (Continued)

(d) For trade receivables

As at the period ended, the trade receivables of HK\$123,178,000, in which transaction amount HK\$70,693,000, HK\$8,030,000, HK\$8,670,000, HK\$6,118,000 and HK\$29,667,000 were occurred during the six-month period ended 30 June 2019, year 2018, year 2017, year 2016 and in or before year 2015 respectively. The trade receivables represented by 153 external customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. Concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Hence, credit limit is assigned to each customer and reviewed from time to time so as to minimise the credit risk. The credit assessment of the responsible team is mainly based on trading relationship, repayment history and recent market information on the financial soundness of the customer. Deposits in advance may be required for new customer.

The Group makes impairment loss on trade receivables based on assessments of the recoverability of the receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgements and estimates.

Simplified approach in accordance with HKFRS 9 has been applied. The expected credit losses were based on the trade receivables past due ageing report and classified into different classes. The probability of default was taking by reference to the historical data and the market data provided by an independent valuer.

The Group has been seeking legal advice so as to take appropriate legal proceedings in the near future so as to recover the receivables, if necessary.

As at 30 June 2019, provision of impairment loss on trade receivables was made amounted HK\$45,818,000 (2018: HK\$44,433,000).

The above method and basis used in determining the amount of the relevant Impairment Loss for loan and trade receivables are consistent with the view of the professional valuer and the management of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Prepayments	135,924	177,501
Deposits paid for acquisition of subsidiaries	106,637	106,637
Other receivables	34,447	76,919
Other deposits paid	2,612	3,560
	279,620	364,617
Less: provision for impairment loss of prepayment	(64,497)	(3,827)
Less: provision for impairment loss of deposits paid for acquisition of subsidiaries	(102,509)	–
Less: provision for impairment loss of other receivables	(18,920)	(76,604)
	93,694	284,186

Prepayments, deposits and other receivables, net of allowance of doubtful debts, are expected to be recovered or recognised as expense within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. TRADE PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables	47,131	61,890

An ageing analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 3 months	30,146	47,131
4 to 6 months	12,454	10,010
7 to 12 months	52	14
Over 1 year	4,479	4,735
	47,131	61,890

The trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 days (31 December 2018: 30 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

15. ACCRUALS AND OTHER PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Accruals and other payables	8,387	27,416
Provision of compensation and cost for legal case	14,529	13,773
	22,916	41,189

16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
As at 1 January 2018, ordinary shares of HK\$0.01 each	100,000,000,000	1,000,000
Share consolidation (Note (a))	(90,000,000,000)	–
	10,000,000,000	1,000,000
Issued and fully paid:		
As at 1 January 2018, ordinary shares of HK\$0.01 each	6,427,083,246	64,271
Shares repurchased and cancelled (Note (b))	(185,720,000)	(1,857)
Share consolidation (Note (a))	(5,617,226,922)	–
	624,136,324	62,414
Shares allotted (Note (c))	124,800,000	12,480
	748,936,324	74,894

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

16. SHARE CAPITAL (Continued)

Notes:

(a) Share consolidation

On 4 June 2018, the ordinary shares of the Company was consolidated on the basis of every ten (10) issued and unissued existing shares of a par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of a par value of HK\$0.10 each in the share capital of the Company.

(b) Shares repurchased and cancelled

During the period from 19 January 2018 to 6 February 2018, the Company repurchased 185,720,000 ordinary shares on the Stock Exchange, pursuant to the general mandate granted by the shareholders of the Company to the Board, at a total consideration of HK\$9,957,000 (before brokerage and expenses in the amount of HK\$57,000). The highest and the lowest purchase prices per share were HK\$0.058 and HK\$0.050 respectively. 145,120,000 and 40,600,000 repurchased shares were cancelled on 8 February 2018 and 9 March 2018 respectively. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

(c) Shares allotted

On 13 March 2019, the Company entered into a subscription agreement with a subscriber to issue and allot 124,800,000 ordinary shares of HK\$0.1 each to the subscriber at a price of HK\$0.136 per share. The share allotment was completed on 27 March 2019 and the premium on the issue of shares amounting to approximately HK\$4,492,000 was credited to the Company's share premium account.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

17. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties, save as disclosed elsewhere in the condensed consolidated financial statements, are as follows:

(a) Outstanding balances with related parties

The amount due to a non-controlling shareholder is unsecured, interest-free and repayable on demand.

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Amount due to a non-controlling shareholder of a subsidiary	494	494

(b) Compensation of key management personnel of the Group

The directors of the Company are the key management personnel of the Group. Details of the directors' emoluments during the period are as follows:

	Six months ended	
	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Fees	760	480
Other emoluments:		
– Salaries and allowances	2,710	1,722
– Retirement benefits scheme contributions	42	36
– Reversal of provision for long service payment, net	(2)	(2)
	3,510	2,236

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

17. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantees provided by related parties

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Guarantees of interest-bearing borrowings provided by:		
Directors and shareholders of a subsidiary	10,527	10,530
A related company of a subsidiary	13,542	14,458
A non-controlling shareholder of a subsidiary	10,527	10,530

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Contracted, but not provided for:		
Construction in progress	5,201	–

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%, 62% and 7% respectively (six months ended 30 June 2018 (“FP2018”): approximately 46%, 41% and 13%) to the revenue of PHC Pile and Others Business. The total revenue of the Group for the six months ended 30 June 2019 (“FP2019”) was mainly generated from the PHC Pile and Others Business.

Revenue from external customers for FP2019 was HK\$150,510,000 compared with HK\$194,525,000 reported in FP2018, which decreased by approximately 22.6%. The decrease in revenue for FP2019 was mainly attributable to the drop in sales of pre-stressed high strength concrete pile and ready-mixed concrete. PHC Pile and Others Business contributed approximately 99.7% and 97.2% to the total revenue of the Group for FP2019 and FP2018 respectively.

The operations of the PHC Pile and Others Business recorded a loss in FP2019. The segment loss for FP2019 was HK\$4,364,000 as compared with segment profit of HK\$17,102,000 reported in FP2018.

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS SEARCH

Financial Services Business

Financial Services Business consisted of money lending business.

Money lending business contributed HK\$379,000 to the revenue of the Group during FP2019 compared with HK\$5,662,000 reported in FP2018, which decreased by approximately 93.3% and represented interest income from loans granted to customers.

Other gains and losses, net

Other gains and losses, net for FP2019 amounted to HK\$225,514,000 (FP2018: HK\$5,154,000), represented an increase of HK\$220,360,000. Such increase was mainly due to the increase in net provision for impairment loss of trade receivables and net provision for impairment loss of prepayments, deposits and other receivables. Other gains and losses, net for FP2019 consisted of net exchange loss of HK\$40,000, net provision for impairment loss of trade receivables of HK\$118,731,000, net provision for impairment of prepayments, deposits and other receivables of HK\$103,528,000, under-provision of penalty and fine of HK\$772,000 and loss on disposal of property, plant and equipment of HK\$2,443,000.

Selling and distribution expenses

Selling and distribution expenses for FP2019 amounted to HK\$32,986,000 (FP2018: HK\$28,492,000), represented an increase of 15.8%. The increase in selling and distribution expenses for FP2019 was mainly due to the increase in piling expenses. Selling and distribution expenses for FP2019 mainly comprised transportation costs of HK\$22,156,000, salaries for the sales persons of HK\$2,930,000 and piling expenses of HK\$7,456,000.

Administrative expenses

Administrative expenses for FP2019 amounted to HK\$19,848,000 (FP2018: HK\$23,027,000), representing a decrease of 13.8%, which was mainly due to the decrease in legal and professional fees. Administrative expenses for FP2019 mainly comprised salaries and other benefits (including directors' remuneration) of HK\$7,487,000 and legal and professional fees of HK\$2,777,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance cost for FP2019 amounted to HK\$1,764,000 (FP2018: HK\$1,688,000), representing an increase of 4.5%, which was due to the increase in imputed interest on lease liabilities during FP2019. Finance costs for FP2019 were interest expenses for the bank borrowings of HK\$1,263,000, interest expenses for bond of HK\$112,000 and imputed interest on lease liabilities of HK\$389,000.

(Loss)/Profit before tax

Loss before tax was HK\$244,566,000 for FP2019 compared with profit before tax of HK\$2,810,000 reported in FP2018. It was mainly due to the decrease in revenue and gross profit for FP2019 as compared with those reported in FP2018 and the increase in net provision for impairment loss of trade receivables and net provision for impairment loss of prepayments, deposits and other receivables. The revenue for FP2019 was HK\$150,889,000 compared with HK\$200,187,000 reported in FP2018, which decreased by 24.6%. The gross profit for FP2019 was HK\$33,677,000 compared with HK\$55,622,000 reported in FP2018, which decreased by 39.5%. The gross profit ratio also decreased from 27.8% in FP2018 to 22.3% in FP2019.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 2019, the total shareholders' equity of the Group was HK\$296,289,000, representing a decrease of approximately 44.5% as compared with that as at 31 December 2018. As at 30 June 2019, the Group's cash and cash equivalents stood at HK\$27,112,000 which were denominated in Hong Kong Dollar and Renminbi whereas total interest-bearing borrowings were HK\$38,449,000. The annual interest rates of the borrowings for FP2019 ranged from 4.35% to 8.12% per annum. Approximately 92.2% 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 FP2019, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by equity, was approximately 45% as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT AND ACQUISITION

The Group has no significant investment and acquisition during FP2019.

CAPITAL STRUCTURE

Convertible Notes

As at 30 June 2019, 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 “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.

Shares Allotment

On 13 March 2019, the Company entered into a subscription agreement with a subscriber to issue and allot 124,800,000 ordinary shares of HK\$0.1 each to the subscriber at a price of HK\$0.136 per share. The share allotment was completed on 27 March 2019 and the premium on the issue of shares amounting to approximately HK\$4,492,000 was credited to the Company’s share premium account.

Share Options

In accordance with the share options scheme approved and adopted by the Company on 17 June 2016 (the “Share Option Scheme”), on 22 June 2016, the Company granted options to certain directors, employees, substantial shareholders and consultants of the Group to subscribe for a total of 436,200,000 ordinary shares of HK\$0.01 each in the capital of the Company on or before 21 June 2026 at an exercise price of HK\$0.1682 per share.

As disclosed in the announcement of the Company dated 1 June 2018, in view of the share consolidation on the basis of every ten shares of the Company of a par value of HK\$0.01 each into one consolidated share of a par value of HK\$0.10 each in the share capital of the Company, the exercise price per share was adjusted to HK\$1.682.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

PLEDGE OF ASSETS

As at 30 June 2019, the Group's certain buildings of HK\$32,287,000, certain right-of-use assets of HK\$38,090,000 and certain plant and machinery of HK\$1,687,000 were used to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had approximately 400 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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

Save as disclosed in Note 18 of the Notes to the Condensed Consolidated Financial Statements, the Group did not have material commitments as at 30 June 2019 (31 December 2018: Nil).

CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Company did not have any material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Legal actions taken against the Vendor and the Guarantor

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

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

According to the civil ruling by the Court on 16 July 2019, the Guarantor's assets with value within RMB100,000,000 were suspended for a period of three years.

PROSPECT

Although the Sino-US trade war has been ongoing since 2018, the dispute has no material impact on the Group's operations. The construction of the new economic belt in PRC will continue to heat up, and there will still be room for development in the domestic infrastructure market in the next few years, providing more market opportunities for related companies. However, the industry is also facing new challenges and adverse conditions. In recent years, the building materials industry has been affected by unfavorable factors such as rising raw material prices, market situation changes and intensified competition among peers. The future competition of the industry is largely reflected in the all-round business competition.

The Group will continue to focus its business in the building materials industry. The Group has been committed to expand the business scale by exploring new business, bringing new growth and momentum to the Group.

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

Upon specific enquiry by the Company and based on the confirmation from the Directors, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the six months ended 30 June 2019 and up to the date of this report.

LEGAL PROCEEDINGS

As at the date of this report, the Group was involved in the following legal proceedings/investigations:

The Company/its subsidiary as the defendant

- (a) References are made to the Company's announcements dated 5 February 2016, 14 March 2017 and 4 September 2017 in relation to an action commenced by Liu Qian (劉倩) ("Ms. Liu") as the plaintiff against the Company as the defendant in the Court of First Instance of the High Court of Hong Kong (the "**Court of First Instance**") on 3 February 2016 (the "**Action**"). On 13 March 2017, upon the application of Ms. Liu and after the substantive hearing of the application on 27 February 2017, the Court of First Instance entered summary judgment against the Company with damages to be assessed (the "**Summary Judgment**"). The Company filed an appeal against the Summary Judgment on 7 April 2017 (the "**Appeal**") and the substantive hearing of the Appeal was heard in the Court of Appeal of the High Court of Hong Kong (the "**Court of Appeal**") on 22 August 2017 with judgment reserved. On 1 September 2017, the Court of Appeal allowed the Appeal, set aside the Summary Judgment and granted the Company unconditional leave to defend the Action with the costs to the Company.

On 21 December 2018, the Company entered into a consent summons with Ms. Liu for full and final settlement of the costs order in favour of the Company in the Appeal, which was made an order on 31 December 2018.

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 report.

MANAGEMENT DISCUSSION AND ANALYSIS

(b) References are made to the announcements of the Company dated 11 November 2016, 15 December 2017 and the Annual Report as at 31 December 2018, in relation to the civil complaints involving Zhuhai Hoston.

- (i) Zhuhai Hoston received civil rulings on 10 April 2017 and 12 April 2017 and was to assume responsibility for half of the outstanding personal loans of RMB1,000,000.00 and RMB3,500,000.00, owing by Wang Tian (王天) (a former director of Zhuhai Hoston) to Wu Min (吳敏) and Kou Jinshui (寇金水), respectively, and the respective interests thereon and the legal costs. Zhuhai Hoston has filed appeals against these civil rulings.

According to the civil rulings dated 24 October 2017 and 22 January 2018 on appeals respectively, the Zhuhai Intermediate People's Court ruled that Zhuhai Hoston shall bear half of the liability and revised the principal amount of the loan to RMB839,314.00 as owing by Wang Tian (王天) to Wu Min (吳敏) and RMB2,378,174.00 as owing to Kou Jinshui (寇金水). Apart from these alterations, the Zhuhai Intermediate People's Court did not allow the appeal and confirmed the aforementioned civil rulings dated 10 April 2017 and 12 April 2017.

- (ii) 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.)* ("**Zhuhai Hechuan**"), three bank accounts of Zhuhai Hoston and 70% equity interest of Zhuhai Hoston in 廣東恆佳建材股份有限公司 (Guangdong Hengjia Building Materials Co., Ltd)* ("**Guangdong Hengjia**") were suspended/impounded by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016.

Zhuhai Hoston received a civil ruling on 13 April 2017 in relation to disputes over private lending pursuant to a lending contract dated 6 April 2013 entered into between Zhuhai Hoston as the borrower and Zhuhai Hechuan as the lender (the "**Dispute**"), that the said lending has been fully settled by Zhuhai Hoston already and Zhuhai Hoston was not liable to any repayment of the loan and the respective interest thereon to Zhuhai Hechuan.

* for identification purpose only

On 8 September 2017, Zhuhai Hechuan filed an appeal at the Zhuhai Intermediate People's Court. By a civil ruling on 22 January 2018, Zhuhai Intermediate People's Court allowed the appeal, reversed the aforementioned civil ruling dated 13 April 2017 and ordered that the case be remitted back to the Xiangzhou People's Court for a re-trial.

On 7 June 2018, the Xiangzhou People's Court had conducted a re-trial of the Dispute and made a civil ruling as follows: (1) Zhuhai Hoston shall be liable to pay the outstanding loan in the principal amount of RMB2,000,000 to Zhuhai Hechuan; and (2) Zhuhai Hoston shall be liable to pay to the Zhuhai Hechuan the default interest at the rate of 24% per annum on the principal amount of RMB2,000,000 within ten days from the date of the civil ruling (i.e. from 1 January 2015 up to the actual repayment date of the principal amount).

On 16 August 2018, Zhuhai Hoston filed an appeal at the Zhuhai Xiangzhou People's Court for the ruling. On 4 March 2019, the Zhuhai Intermediate People's Court rejected the appeal of Zhuhai Hoston and the original judgment was upheld. Accordingly, Zhuhai Hoston applied to the Higher People's Court of Guangdong Province for retrial. On 29 May 2019, the Higher People's Court of Guangdong Province rejected the application of Zhuhai Hoston for re-trial.

- (c) Reference is made to the announcement of the Company dated 15 December 2017 in relation to the outstanding claims against Zhuhai Hoston:
- (i) As of 20 November 2017, Zhuhai Hoston was indebted to Guangdong Hengjia for a total sum of RMB34,772,335.50 (the "**Guangdong Hengjia Debt**").

Zhuhai Hoston received an execution order dated 21 November 2017 made by 陽江市江城區人民法院 (Yangjiang Jiangcheng People's Court)* ("**Yangjiang Jiangcheng People's Court**") on the application of Guangdong Hengjia to seize certain tools and equipment of Zhuhai Hoston (the "Seized Tools and Equipment") for a period of 2 years as security for the debt owed by Zhuhai Hoston to Guangdong Hengjia.

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Zhuhai Hoston received an auction notice dated 6 February 2018 issued by the Yangjiang Jiangcheng People's Court that the Seized Tools and Equipment would be listed for auction from 9 March 2018 to 10 March 2018. The Company was informed by Zhuhai Hoston that the Seized Tools and Equipment were not sold at the auction.

On 27 March 2018, Yangjiang Jiangcheng People's Court ordered that after Guangdong Hengjia has paid RMB50,000 and the respective valuation and enforcement fees, the Seized Tools and Equipment at the auction reserve price of RMB2,666,544 was applied to settle part of the Guangdong Hengjia Debt of RMB2,570,744 whereas Zhuhai Hoston was still liable for the remaining amount of the Guangdong Hengjia Debt. After applying the Seized Tools and Equipment as partial settlement, Zhuhai Hoston is indebted to Guangdong Hengjia for a total sum of RMB32,201,591.50.

- (ii) Pursuant to the civil ruling issued by Xiangzhou People's Court on 25 April 2018, Zhuhai Hoston was ordered to repay an outstanding loan in the amount of RMB2,000,000 owed to Liu Shao Zhuang (劉少妝) and the overdue interests accrued on such outstanding loan. On 14 January 2019, Zhuhai Hoston made an application to Xiangzhou People's Court to request for a suspension of the execution of the aforesaid judgment on the ground that the relevant court documents and notice of the legal proceedings were not delivered to Zhuhai Hoston such that Zhuhai Hoston was deprived of the right to defend its interest in the legal proceedings. On 5 March 2019, Zhuhai Hoston applied to the Zhuhai Intermediate People's Court for retrial of the case. The Zhuhai Intermediate People's Court rejected the application for retrial of Zhuhai Hoston in a civil judgment dated 5 June 2019. As a result of the rejection of the application for appeal, Zhuhai Hoston would execute the judgement in accordance with the judgement of the court of trial..

The directors of the Company are of the opinion that the trade and other payables and provision for late penalty charges and corresponding legal fees are sufficiently made in the consolidated financial statements as at 30 June 2019.

The Company/its subsidiary as the plaintiff

(d) 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) referred to in paragraph (b) above which has led to the Group’s involvement in such litigation.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

- (e) On 29 February 2016, Zhuhai Hoston filed a lawsuit in the Xiangzhou People's Court against the Former Directors and 珠海市鑫鋒發展有限公司 (Zhuhai Xinfeng Development Co., Ltd.)*, the controlled company of the Former Directors (the "**Controlled Company**"), regarding the prepayment to a supplier of Zhuhai Hoston of RMB4,840,000 for the purchase of machinery. The sum was subsequently transferred to the Controlled Company based on the instructions of the Former Directors to the supplier. According to civil ruling from the Xiangzhou People's Court dated 30 May 2016, the lawsuit has been suspended pending for the investigation results of the Reported Case as the prepayment to the supplier is part of the subject matter of the Reported Case.

On 12 October 2018, the Zhuhai Intermediate People's Court revoked the first instance judgement on the ground that the subject matter for rejection of the lawsuit filed by the plaintiff was removed after the issue of the first instance judgement, and ordered the Zhuhai Xiangzhou People's Court to conduct trial.

On 18 June 2019, the Zhuhai Xiangzhou People's Court ruled that the Controlled Company, Wang Zhining (王志寧) and Wang Tian (王天) made compensation to Zhuhai Hoston in an amount of RMB4,840,000 and made compensation for interest loss from 11 February 2016 to the date of settlement.

- (f) On 20 July 2018, Zhuhai Hoston applied to the Zhuhai Xiangzhou People's Court that Zhuhai Hoston performed its legal obligations under the Zhuhai Intermediate People's Court judgement on 21 November 2017 and performed compensation and guarantee obligations by paying RMB1,288,833 to Chen Xiaodong (陳曉東) and seek repayment from Wang Tian (王天) for RMB1,288,833 and interest thereof according to the law.

On 23 November 2018, the Zhuhai Xiangzhou People's Court ruled that two flats and one parking space owned by Wang Tian at No. 123, Shihua East Road, Jida, Xiangzhou District, Zhuhai shall be impounded. The properties are pending for seal up and are not allowed to be disposed of in the meantime.

* for identification purpose only

(g) On 19 July 2018, Zhuhai Hoston filed a lawsuit against Wang Zhining (王志寧), Wang Tian (王天), Yang Jianru (楊健茹) and 珠海市鑫鋒發展有限公司 (Zhuhai Xinfeng Development Co., Ltd.*) with the Zhuhai Xiangzhou People's Court, and requested compensation for loss be made to Zhuhai Hoston in an amount of RMB1,000,000 together with interest thereof on the ground that Zhuhai Hoston performed its legal obligations under the ruling of the Zhuhai Intermediate People's Court by paying RMB1,000,000 to Bi Xiaohui (畢肖輝).

On 21 June 2019, the Zhuhai Xiangzhou People's Court ruled against that Zhuhai Hoston's request for the commencement of litigation. Zhuhai Hoston made an appeal to the Zhuhai Intermediate People's Court on 16 July 2019 and the appeal was accepted by the court.

Other than as disclosed above, no other significant development and material financial implications arising from the above legal proceedings/investigations.

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 2019.

* 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 2019, the interests of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company 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"), were as follows:

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

Name of Director	Capacity	Number of shares or underlying shares held	Approximate percentage of shareholding
Mr. Chim Sai Yau, Oscar (<i>Note 1</i>)	Interest in controlled corporation	219,404,855	29.29%
Mr. Li Chongyang	Beneficial owner	4,610,000	0.62%

Notes:

- These 219,404,855 Shares are beneficially held by Wealthy Port Holdings Limited ("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.*

Save as disclosed above, 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 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.

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.

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.

DISCLOSURE OF ADDITIONAL INFORMATION

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 million, 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.

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.

DISCLOSURE OF ADDITIONAL INFORMATION SEARCH

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.

On 22 June 2016, the Company granted options to certain directors, employees, substantial shareholders and consultants of the Group to subscribe for a total of 436,200,000 ordinary shares of HK\$0.01 each at subscription price of HK\$0.1682 per share on or before 21 June 2026, representing 9.99% of the shares of the Company in issue at that date. The options are vested at the date of grant.

On 12 February 2019, the Company had cancelled all the 23,880,000 outstanding share options, as the exercise price of the outstanding share options are comparatively high when compared with the market prices of the shares which deters the grantees from exercising their options to subscribe for the shares.

Save as disclosed above and in paragraph headed "Share Options" in this report, during the period ended 30 June 2019, no share options were granted, exercised, cancelled or lapsed.

DISCLOSURE OF ADDITIONAL INFORMATION

Movements of share options under the Option Scheme during the period:

	Outstanding as at 1 January 2019	Date of Grant	Cancelled during the period	Exercise price per outstanding Share Option (upon Share Consolidation became effective on 4 June 2018) (HK\$)	Outstanding as at 30 June 2019
Executive Directors					
Leung Chi Fai (resigned on 22 May 2019)	1,000,000	22 June 2016	(1,000,000)	1.682	-
Li Chongyang	1,000,000	22 June 2016	(1,000,000)	1.682	-
Qi Jiao (resigned on 22 May 2019)	4,360,000	22 June 2016	(4,360,000)	1.682	-
Lam Kai Yeung (resigned on 6 June 2019)	1,000,000	22 June 2016	(1,000,000)	1.682	-
Non-executive Directors					
Huang Weidong (retired on 24 May 2019)	4,360,000	22 June 2016	(4,360,000)	1.682	-
Independent non-executive Directors					
Cong Yongjian (resigned on 6 June 2019)	1,000,000	22 June 2016	(1,000,000)	1.682	-
Substantial shareholders					
Business Century Investments Limited	2,900,000	22 June 2016	(2,900,000)	1.682	-
Everun Oil Co., Limited	2,900,000	22 June 2016	(2,900,000)	1.682	-
Employees					
In aggregate	1,000,000	22 June 2016	(1,000,000)	1.682	-
Consultants					
In aggregate	4,360,000	22 June 2016	(4,360,000)	1.682	-
Total	23,880,000		(23,880,000)		-

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 2019 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 2019, 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:

DISCLOSURE OF ADDITIONAL INFORMATION

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

Name	Capacity	Number of Shares or underlying shares held	Approximate percentage of shareholding
Wealthy Port Holdings Limited ("Wealthy Port") (Note 1)	Beneficial owner	219,404,855	29.29%
Mr. Chim Sai Yau, Oscar (Note 1)	Interest in controlled corporation	219,404,855	29.29%
Business Century Investments Limited ("Business Century") (Note 2)	Beneficial owner	74,964,833	10.01%
Ms. Xie Guilin (Note 2)	Interest in controlled corporation	74,964,833	10.01%
Everun Oil Co., Limited ("Everun Oil") (Note 3)	Beneficial owner	86,581,000	11.56%
Mr. Chen Jingan (Note 3)	Interest in controlled corporation	86,581,000	11.56%

Notes:

1. There 219,404,855 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 74,964,833 Shares are 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 86,581,000 Shares are 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.

DISCLOSURE OF ADDITIONAL INFORMATION SEARCH

Save as disclosed above, as at 30 June 2019, 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.

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 2019 and as at the date of this report.

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) and Mr. Tong Leung Sang and Mr. Chan Sung Wai. The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2019 and this report have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee, which comprises two executive Directors, Mr. Chim Sai Yau, Oscar, Mr. Law Chun Choi and three independent non-executive Directors, Mr. Choi Pun Lap, Mr. Tong Leung Sang and Mr. Chan Sung Wai (chairman of the Remuneration Committee), is responsible for determining, reviewing and evaluating the remuneration packages of the executive Directors and making recommendations to the Board from time to time.

DISCLOSURE OF ADDITIONAL INFORMATION

NOMINATION COMMITTEE

The Nomination Committee comprises one executive Director, Mr. Chim Sai Yau, Oscar (chairman of the Nomination Committee), one non-executive Director, Mr. Lum Pak Sum and three independent non-executive Directors, Mr. Choi Pun Lap, Mr. Tong Leung Sang and Mr. Chan Sung Wai. It is responsible for the appointment of new Directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become Directors when necessary. In evaluating whether an appointee is suitable to act as a Director, the Committee will consider the experience, qualification and other relevant factors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

By order of the Board

Sunway International Holdings Limited
Law Chun Choi

Executive Director and Company Secretary

Hong Kong, 30 August 2019