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SUNWAY INTERNATIONAL HOLDINGS LIMITED

新威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 58)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- Revenue for the year ended 31 December 2022 was HK\$451,115,000, compared with HK\$515,907,000 last year, representing a decrease of HK\$64,792,000.
- Gross profit for the year ended 31 December 2022 was HK\$105,597,000, compared with HK\$96,544,000 last year, representing an increase of HK\$9,053,000.
- Loss for the year attributable to owners of the Company was HK\$37,385,000, compared with HK\$24,744,000 last year, representing an increase of HK\$12,641,000.
- Loss per share attributable to owners of the Company amounted to HK20.82 cents, compared with HK13.78 cents last year, representing an increase of HK7.04 cents.
- No final dividend was proposed for the year ended 31 December 2022 (2021: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	451,115	515,907
Cost of sales		(345,518)	(419,363)
Gross profit		105,597	96,544
Other income	6	1,186	1,785
Other gains and losses, net	7	(10,854)	1,131
Impairment losses recognised under expected credit loss model, net of reversal		(34,928)	(6,123)
Selling and distribution expenses		(80,569)	(73,883)
Administrative expenses		(29,398)	(32,336)
Other operating expenses		(485)	(4,117)
Finance costs	8	(3,129)	(2,767)
Loss before tax		(52,580)	(19,766)
Income tax credit/(expense)	10	7,196	(8,358)
Loss for the year	9	(45,384)	(28,124)
Loss for the year attributable to:			
Owners of the Company		(37,385)	(24,744)
Non-controlling interests		(7,999)	(3,380)
		(45,384)	(28,124)
Loss per share	12		
Basic and diluted (HK cents)		(20.82)	(13.78)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(45,384)</u>	<u>(28,124)</u>
Other comprehensive (loss)/income:		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations	(11,724)	7,880
<i>Items that will not be reclassified to profit or loss:</i>		
Gain/(loss) on revaluation of property, plant and equipment	11,209	(890)
Tax effect of revaluation of items of property, plant and equipment	<u>(2,802)</u>	<u>221</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(3,317)</u>	<u>7,211</u>
Total comprehensive loss for the year	<u><u>(48,701)</u></u>	<u><u>(20,913)</u></u>
Total comprehensive loss for the year attributable to:		
Owners of the Company	(40,673)	(19,519)
Non-controlling interests	<u>(8,028)</u>	<u>(1,394)</u>
	<u><u>(48,701)</u></u>	<u><u>(20,913)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		116,112	116,229
Right-of-use assets		36,177	40,590
Goodwill		19,941	19,941
Deferred tax assets		14,929	7,086
		<u>187,159</u>	<u>183,846</u>
Current assets			
Inventories		21,852	27,985
Trade, bill and loan receivables	<i>13</i>	160,261	249,005
Prepayment, deposits and other receivables		43,336	59,303
Financial assets at fair value through profit or loss		—	6,726
Restricted bank deposits		15	—
Cash and cash equivalents		9,327	2,734
		<u>234,791</u>	<u>345,753</u>
Current liabilities			
Trade payables	<i>14</i>	99,065	161,363
Accruals and other payables		51,571	52,676
Contract liabilities		4,059	2,851
Lease liabilities		172	172
Amounts due to non-controlling interests		491	532
Amount due to a shareholder		13,677	5,677
Interest-bearing borrowings		18,035	14,849
Tax payables		7,596	7,717
		<u>194,666</u>	<u>245,837</u>
Net current assets		<u>40,125</u>	<u>99,916</u>
Total assets less current liabilities		<u>227,284</u>	<u>283,762</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	1,878	2,224
Interest-bearing borrowings	9,558	20,726
Deferred tax liabilities	12,413	8,676
	<u>23,849</u>	<u>31,626</u>
NET ASSETS	<u>203,435</u>	<u>252,136</u>
Capital and reserves		
Share capital	17,960	17,960
Convertible notes	12,600	12,600
Reserves	109,226	149,898
	<u>139,786</u>	<u>180,458</u>
Equity attributable to owners of the Company	139,786	180,458
Non-controlling interests	63,649	71,678
	<u>203,435</u>	<u>252,136</u>
TOTAL EQUITY	<u>203,435</u>	<u>252,136</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Sunway International Holdings Limited (the “**Company**”) is a limited liability company incorporated in Bermuda and the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and principal place of business are disclosed in the corporate information section to the annual report. Its major shareholder is Wealthy Port Holdings Limited, a company incorporated in Hong Kong and ultimately controlled by Mr. Chim Sai Yau Oscar.

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, autoclaved sand-lime bricks, aerated concrete products and eco-concrete products and related processing income (“**PHC piles and other products**”).

The consolidated financial statements are presented in thousands of units of Hong Kong dollar (“**HK\$’000**”), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and certain financial instruments that are measured at revalued amounts or at fair value at the end of each reporting period.

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

3. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The directors anticipate that application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. OPERATING SEGMENT INFORMATION

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

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

The Group’s reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies. Particulars of the Group’s reportable segments are summarised as follows:

Sales and manufacturing of PHC piles and other products.

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

Since all of the Group’s revenue were derived from the People’s Republic of China (the “**PRC**”) and over 90% of the Group’s non-current assets were located in the PRC for both years, no geographical segment information in accordance with HKFRS 8 is presented.

Information about major customer

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

	2022	2021
	<i>HK\$’000</i>	<i>HK\$’000</i>
Customer A (<i>Note</i>)	<u>N/A</u>	<u>56,839</u>

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Except for the above disclosure, no other customers contributed 10% or more to the Group’s revenue for both years.

5. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers recognised at a point in time:		
Sales of PHC piles and other products	<u>451,115</u>	<u>515,907</u>

6. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	—	22
Compensation income	857	1,574
Government grants	328	—
Over-provision of long service payment	—	15
Sundry income	<u>1</u>	<u>174</u>
	<u>1,186</u>	<u>1,785</u>

During the year ended 31 December 2022, the Group recognised government grants of HK\$328,000 in respect of Covid-19-related subsidies which relates to Employment Support Scheme provided by the Hong Kong government and subsidies provided by the PRC local government as a support. There were no unfulfilled conditions or contingencies relating to these government grants.

7. OTHER GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Exchange gain/(loss), net	125	(93)
Realised (loss)/gain arising on change in fair value of financial assets at fair value through profit or loss	(5,802)	14,367
Unrealised loss arising on change in fair value of financial assets at fair value through profit or loss	—	(9,179)
Gain/(loss) on disposal of property, plant and equipment	260	(2,338)
Provision for compensation and cost for legal cases	<u>(5,437)</u>	<u>(1,626)</u>
	<u>(10,854)</u>	<u>1,131</u>

8. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on leases liabilities	186	260
Interest on interest-bearing borrowings	2,943	2,458
Interest expenses to securities brokers	—	49
	<u>3,129</u>	<u>2,767</u>

9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	242,568	309,090
Depreciation of property, plant and equipment	16,082	21,572
Depreciation of right-of-use assets	1,269	3,604
Written off of inventories	613	—
Auditor's remuneration:		
– Audit services	658	758
– Non-audit services	—	290
Impairment losses recognised under expected credit loss model, net of reversal:		
– trade and bill receivables	35,534	(5,302)
– deposits and other receivables	(606)	11,425
	<u>34,928</u>	<u>6,123</u>
Staff costs (including directors' remuneration):		
– salaries, allowances and benefits in kind	43,713	44,675
– discretionary bonus	135	218
– over-provision for long service payment	—	(15)
– retirement benefits scheme contributions	2,606	2,835
	<u>46,454</u>	<u>47,713</u>

There was no forfeiture of retirement benefits scheme contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group for both years. As at 31 December 2022 and 2021, no forfeited contribution under the retirement benefits scheme of the Group is available to reduce the contribution payable in future years.

10. INCOME TAX (CREDIT)/EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – PRC Enterprise Income Tax		
– Provision for the year	567	1,659
– Under-provision in prior years	1,223	—
Current tax – Hong Kong Profits Tax		
– Provision for the year	—	726
	<u>1,790</u>	<u>2,385</u>
Deferred tax (credit)/charge	<u>(8,986)</u>	<u>5,973</u>
Income tax (credit)/expense	<u><u>(7,196)</u></u>	<u><u>8,358</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements for the year ended 31 December 2022. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2022.

The Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK\$2 million for the year ended 31 December 2021.

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2022 as the Group has no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for both years.

11. DIVIDENDS

No final dividend was paid or proposed during the year ended 31 December 2022 (2021: Nil), nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period.

12. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss:		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u><u>(37,385)</u></u>	<u><u>(24,744)</u></u>
	2022 '000	2021 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u><u>179,600</u></u>	<u><u>179,600</u></u>

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

13. TRADE, BILL AND LOAN RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from contracts with customers	220,295	276,769
Less: allowance for credit losses	<u>(60,034)</u>	<u>(28,690)</u>
Trade receivables (net of allowance for credit losses)	160,261	248,079
Bill receivables	865	939
Less: allowance for credit losses	<u>(865)</u>	<u>(13)</u>
Trade and bill receivables (net of allowance for credit losses)	<u>160,261</u>	<u>249,005</u>
Loan receivables	129,141	129,141
Less: allowance for credit losses	<u>(129,141)</u>	<u>(129,141)</u>
Loan receivables (net of allowance for credit losses)	<u>—</u>	<u>—</u>
Total trade, bill and loan receivables (net of allowance for credit losses)	<u><u>160,261</u></u>	<u><u>249,005</u></u>

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

(a) Aging analysis

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	79,140	159,079
4 to 6 months	36,952	48,815
7 to 12 months	<u>44,169</u>	<u>41,111</u>
	<u><u>160,261</u></u>	<u><u>249,005</u></u>

14. TRADE PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	37,985	74,569
4 to 6 months	33,492	34,262
7 to 12 months	23,952	49,446
Over 12 months	<u>3,636</u>	<u>3,086</u>
	<u>99,065</u>	<u>161,363</u>

The average credit terms received from suppliers of the Group is one month.

15. PLEDGED OF ASSETS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Buildings	55,819	59,184
Plant and machinery	22,706	21,873
Right-of-use assets	<u>22,430</u>	<u>21,141</u>
	<u>100,955</u>	<u>102,198</u>

In addition, the bank borrowings were secured by leasehold land and buildings held by a related company of a subsidiary of the Group and have a personal guarantee provided by the directors of a subsidiary and guarantee provided by non-controlling interests of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

Construction materials business consisted of the PHC Pile and Others Business.

PHC Pile and Others Business

PHC Pile and Others Business is operated by a subsidiary of the Company, 廣東恒佳建材股份有限公司 Guangdong Hengjia Construction Materials Co., Ltd* (“**Guangdong Hengjia**”) and its production factory is situated in Yangjiang City, Guangdong Province, the PRC. Guangdong Hengjia sells its products to customers located in Yangjiang City and its surrounding cities in Guangdong Province.

Revenue from external customers for FY2022 was HK\$451,115,000 compared with HK\$515,907,000 reported last year, which decreased by approximately 13%. The decrease in revenue for the year was mainly attributable to the PRC stuck to its COVID Zero policy for most of 2022 and the slumping property market and related business sectors.

Other gains and losses, net

Other gains and losses, net for FY2022 amounted to loss of HK\$10,854,000 (FY2021: gain of HK\$1,131,000), represented a difference of HK\$11,985,000. Such difference was mainly due to the turnaround result of both realised and unrealised fair value change of the financial assets at fair value through profit or loss changed from a net gain of approximately HK\$5.2 million in FY2021 to a net loss of approximately HK\$5.8 million in FY2022.

Administrative expenses

Administrative expenses for FY2022 amounted to HK\$29,398,000 (FY2021: HK\$32,336,000), representing a decrease of approximately 9%, which was mainly due to decrease in legal and professional fee and directors’ remuneration.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with equity fund raising activities, internally generated cash flow and banking facilities provided by its principal bankers in the PRC. As at 31 December 2022, equity attributable to owners of the Company was HK\$139,786,000, representing a decrease of approximately 23% over last year. As at 31 December 2022, the Group's cash and cash equivalents and restricted bank deposits stood at HK\$9,327,000 and HK\$15,000 respectively whereas interest-bearing borrowings were HK\$27,593,000. The annual interest rates of the borrowings for FY2022 ranged from 3.65% to 7.50% per annum. The above borrowings were denominated in Hong Kong Dollar and Renminbi. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by total equity, was approximately 107% as at 31 December 2022.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

The Group has no significant investment, acquisition and disposal during the year.

CAPITAL STRUCTURE

Convertible notes

As at 31 December 2022, the Company had convertible notes with principal amount of HK\$30,000,000. Based on the opinion obtained from the legal advisers of the Company, in view of the on-going legal proceedings mentioned under the paragraph headed "Contingent Liabilities" and "Legal Proceedings" in this announcement, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

Share options

No share options were granted, exercised, lapsed or cancelled during the years ended 31 December 2022 and 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had approximately 378 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 Dollar (“**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 on a timely and effective manner.

COMMITMENT

The Group did not have material commitments as at 31 December 2022 and 31 December 2021.

CONTINGENT LIABILITIES

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

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

The amount of the claims by Ms. Liu, in relation to the convertible notes with a face value of HK\$15 million, was about HK\$40 million as per the Statement of Claim dated 29 January 2016. The convertible notes were issued in favour of the vendor as part of the consideration of the sale and purchase agreement dated 3 October 2013 (“**SPA**”). According to a legal opinion dated 15 March 2022, which is updated on 31 March 2023, given by the Company's solicitors, upon the fundamental breach of the SPA, it is open for the Company to argue that the terms and conditions under the SPA has failed and the outstanding convertible notes are void and have no effect.

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

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

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

LEGAL PROCEEDINGS

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

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

Reference is made to the Company's announcement dated 20 January 2020 in relation to provision of financial assistance and announcement dated 12 August 2020 in relation to clarification on audited annual results announcement, despite the issue of legal demand letters in August 2019, the six borrowers (and their guarantors, if applicable) (the "**Loan Debtors**") who are independent third parties have failed to settle any outstanding loans and interests as at 31 December 2019. As a result, Sunway FM has taken the following legal proceedings against the Loan Debtors:

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

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

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

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

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

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

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

In respect of the loan advanced to Shenzhen Siping (a company incorporated in the PRC), legal advice had been obtained from a legal firm in the Mainland China namely Zhuoxin Law Firm, to commence legal actions against Shenzhen Siping and 鄭肇宏 (“**Mr. Zheng**”), the director of Shenzhen Siping, for the recovery of the outstanding loan receivables in August 2020.

Sunway FM had applied to withdraw the claim against Shenzhen Siping and Mr. Zheng on the ground that there was insufficient evidence to proceed with the claim. Sunway FM had been refunded of part of the costs of the legal action from Shenzhen Qianhai Cooperation Zone People’s Court.

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

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

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

In respect of the loans advanced to Charmate (a company registered in the BVI) which were guaranteed by Mr. Chen Zhiguo 陳志國 (“**Mr. Chen**”) (being a Chinese national), legal advice had been obtained from Appleby to take legal action against Charmate. A Winding Up Order was made on 18 January 2021 and it was ordered that Charmate be liquidated by the Court. Mr. Matthew Richardson and Mr. David Bennett had been appointed as Joint Liquidators. The Joint Liquidators reported that they were yet to receive a response from a number of the parties identified and contacted previously. From the records and information received, there was no evidence of any assets held by Charmate.

Legal action for the recovery of outstanding loan receivables from Mr. Chen, the guarantor, had been commenced in Fujian Putian Intermediate People’s Court (the “**FPIP Court**”). Zhuoxin Law Firm, Sunway FM’s PRC legal representative, and Mr. Chen’s legal representative attended a hearing on 26 October 2021, in which both parties had submitted evidence. The FPIP Court held that Mr. Chen was liable to refund the outstanding loan principal, interest accrued thereon and the relevant legal and professional fees to Sunway FM (the “**First Judgement**”). According to Fujian Provincial Higher People’s Court’s judgement dated 30 May 2022, the First Judgement was confirmed and this should be the final decision.

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

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

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

2. **Sunway New Energy Industry Group Limited**

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

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

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

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

According to the civil ruling by the Court on 16 July 2019, the Guarantor’s assets with value within RMB100,000,000, being the shares of PRC companies (the “**PRC Shares**”) as owned by the Guarantor, were suspended for a period of three years. As advised by the Company’s PRC solicitors dated 25 September 2020, the PRC Shares, which were also under liquidation proceedings in some other legal cases, had to be released under the PRC laws. However, for prudence purpose and compliance with HKFRS 9, full impairment had already been made against the Refundable Earnest Money during the year ended 31 December 2019 in accordance with the valuation report.

As per the PRC solicitors’ advices dated 18 March 2022 and 21 February 2023:

- (a) the Court held that both of the Vendor and the Guarantor be liable to refund the Refundable Earnest Money together with interest accrued thereon to Sunway New Energy. However, Sunway New Energy had not yet been refunded for anything because both of the Vendor and the Guarantor were found not to own any valuable and enforceable assets;

- (b) in addition, in view of the huge net liabilities as shown by the latest audited report, the PRC Shares were declared bankruptcy by the local court on 13 February 2022; and
- (c) although the bankruptcy procedures are still being processed, it is estimated that Sunway New Energy, being the unsecured creditor, may not obtain anything upon completion.

3. The Company/its subsidiary as the plaintiff

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

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

Pleadings have recently been amended on 16 September 2022, in that the Defendants have belatedly lodged counterclaims against the Plaintiffs. The Plaintiffs accordingly prepared a defence to such counterclaims which was also filed on 17 November 2022.

* *For identification purpose only*

4. The Company's subsidiary as the defendant

- (a) Reference is made to the Company's announcement dated 11 November 2016 and the Annual Report 2021 in relation to the legal proceedings involving 寇金水 (Kou Jinshui) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.*) ("**Zhuhai Hechuan**"), independent third parties, as Plaintiffs and Zhuhai Hoston, an indirectly non-wholly owned (95%) subsidiary of the Company, as defendant. Upon the application of Kou Jinshui, who is also the legal representative of Zhuhai Hechuan, Zhuhai Hoston's 70% equity interest in 廣東恒佳建材股份有限公司 (Guangdong Hengjia Construction Materials Co., Ltd*) ("**Guangdong Hengjia**") was suspended for the three years from 23 August 2022 to 22 August 2025 (the "**Frozen Shares**") by the Xiangzhou People's Court pursuant to an execution order dated 9 August 2022.

As at 31 December 2022, the total outstanding amounts including interest due by Zhuhai Hoston to Kou Jinshui and Zhuhai Hechuan were approximately RMB2.0 million and RMB4.1 million respectively. The freezing of the Frozen Shares is only an assets preservation measure by litigants in pending lawsuits. Nevertheless, the Group retains to have control and ownership in such Frozen Shares and there will not have material impact on the operations of Guangdong Hengjia. As at the date of this announcement, the Frozen Shares are still in force pending the repayment of the outstanding debts that will be handled as soon as possible.

- (b) Reference is made to the Company's announcement dated 12 December 2022, Sunway FM, an indirectly wholly-owned subsidiary of the Company, received a statutory demand (the "**Statutory Demand**") on 9 December 2022 from Messrs. Gallant, a solicitors firm previously acting for Sunway FM, pursuant to Sections 178(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), demanding Sunway FM to pay an amount of HK\$958,090.39 (the "**Outstanding Fees**"), being the outstanding fees and relevant interest incurred due and owed by Sunway FM for legal services previously provided.

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

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

PROSPECT

The global economy may be subject to a recession in 2023 that may be triggered by the increase in inflation rates and the Ukraine-Russia tensions. Nevertheless, China's economy is showing new signs of recovery after the strict virus-containment measures and the peak of the coronavirus is past. The numbers show that economic expansion has re-emerged despite the COVID spread that swept over China in December 2022 and January 2023. Following the lifting of COVID restrictions, it is expected that the growth in 2023 will be quite optimistic after shrinking for months. The International Monetary Fund recently raised its economic forecast for China following the end of COVID policies.

In the short run, the PRC government has announced in February 2023 to increase the investment in basic infrastructure including of up to approximately RMB8,400 billion in Guangdong Province. In the long run, according to a guideline jointly issued by the General Office of the Communist Party of China Central Committee of the PRC and the General Office of the State Council of the PRC dated 24 February 2021, China has unveiled plans to build the country's strength in the transport sector over the next 15 years, setting long-term goals for the industry, with the aim of developing a modern, high-quality and comprehensive national transport network. By 2035, the country's transport network should be convenient, cost-effective, green, intelligent and safe. Among them, there will be about 200,000 km of railways, 460,000 km of highways and 25,000 km of high-grade waterways, with 27 major coastal ports, 36 major inland ports, about 400 civil-transport airports and about 80 postal express-delivery hubs.

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

UPDATES ON DIRECTOR'S INFORMATION

Upon specific enquiry by the Company and following confirmations 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 year ended 31 December 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules during the year ended 31 December 2022 and as at the date of this announcement, except for the following deviations:

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

Following the resignation of Mr. Li Chongyang, former Managing Director, and Mr. Fok Po Tin, former Chairman, on 27 August 2021 and 1 January 2022 respectively, the Company had no designated Director to act as a chairman or a chief executive. The responsibility of a chairman or a chief executive rests with the board of directors of the Company and the Company fails to comply with code provision C.2.1 of the Code contained in Appendix 14 to the Listing Rules.

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

AUDIT COMMITTEE

The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2022.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on the preliminary announcement.

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 the Directors have confirmed that they have complied with required standard set out in the Model Code throughout the year.

PUBLICATION OF ANNUAL REPORT

The annual report 2022 of the Company containing all information required by the Listing Rules will be published on the website of the Company at <http://www.hk0058.com> and the website of the Stock Exchange at <http://www.hkexnews.hk> in due course.

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

Hong Kong, 31 March 2023

As at the date of this announcement, the Board comprises one executive Director, namely, Mr. Law Chun Choi, one non-executive Director, namely, Mr. Lum Pak Sum, and three independent non-executive Directors, namely, Mr. Choi Pun Lap, Mr. Yu Shui Sang Bernard and Mr. Wong Yue Kwan Alan.

Website: <http://www.hk0058.com>

** For identification purpose only*