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 2023

HIGHLIGHTS

- Revenue for the year ended 31 December 2023 was HK$246,531,000, compared with HK$451,115,000 last year, representing a decrease of HK$204,584,000.
- Gross profit for the year ended 31 December 2023 was HK$37,556,000, compared with HK$105,597,000 last year, representing a decrease of HK$68,041,000.
- Loss for the year attributable to owners of the Company was HK$45,146,000, compared with HK$37,385,000 last year, representing an increase of HK$7,761,000.
- Loss per share attributable to owners of the Company amounted to HK25.14 cents, compared with HK20.82 cents last year, representing an increase of HK4.32 cents.
- No final dividend was proposed for the year ended 31 December 2023 (2022: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Revenue	*5*	**246,531**	451,115
Cost of sales		**(208,975)**	(345,518)
Gross profit		**37,556**	105,597
Other income	*6*	**75**	1,186
Other gains and losses, net	*7*	**475**	(10,854)
Impairment loss recognised on non-financial assets		**(21,570)**	—
Impairment losses recognised under expected credit loss model, net of reversal		**(6,241)**	(34,928)
Selling and distribution expenses		**(46,480)**	(80,569)
Administrative expenses		**(23,977)**	(29,398)
Other operating expenses		**(2,101)**	(485)
Finance costs	*8*	**(1,624)**	(3,129)
Loss before tax		**(63,887)**	(52,580)
Income tax (expense)/credit	*10*	**(375)**	7,196
Loss for the year	*9*	**(64,262)**	(45,384)
Loss for the year attributable to:			
Owners of the Company		**(45,146)**	(37,385)
Non-controlling interests		**(19,116)**	(7,999)
		(64,262)	(45,384)
Loss per share	*12*		
Basic and diluted (HK cents)		**(25.14)**	(20.82)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
Loss for the year	**(64,262)**	(45,384)
Other comprehensive (loss)/income:		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(4,934)**	(11,724)
Items that will not be reclassified to profit or loss:		
Gain on revaluation of property, plant and equipment	**1,914**	11,209
Tax effect of revaluation of items of property, plant and equipment	**(479)**	(2,802)
Other comprehensive loss for the year, net of tax	**(3,499)**	(3,317)
Total comprehensive loss for the year	**(67,761)**	(48,701)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(47,824)**	(40,673)
Non-controlling interests	**(19,937)**	(8,028)
	(67,761)	(48,701)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Non-current assets			
Property, plant and equipment		**102,427**	116,112
Right-of-use assets		**32,283**	36,177
Goodwill		**—**	19,941
Deferred tax assets		**—**	2,516
		134,710	174,746
Current assets			
Inventories		**9,688**	21,852
Trade, bill and loan receivables	*13*	**108,172**	160,261
Prepayment, deposits and other receivables		**50,619**	43,336
Restricted bank deposits		**—**	15
Cash and cash equivalents		**27,749**	9,327
		196,228	234,791
Current liabilities			
Trade payables	*14*	**81,268**	99,065
Accruals and other payables		**63,544**	51,571
Contract liabilities		**4,818**	4,059
Lease liabilities		**193**	172
Amounts due to non-controlling interests		**476**	491
Amount due to a shareholder		**18,677**	13,677
Interest-bearing borrowings		**15,511**	18,035
Tax payables		**6,150**	7,596
		190,637	194,666
Net current assets		**5,591**	40,125
Total assets less current liabilities		**140,301**	214,871

	2023	2022
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**1,627**	1,878
Interest-bearing borrowings	**3,000**	9,558
	4,627	11,436
NET ASSETS	**135,674**	203,435
Capital and reserves		
Share capital	**17,960**	17,960
Convertible notes	**6,300**	12,600
Reserves	**67,701**	109,225
Equity attributable to owners of the Company	**91,961**	139,785
Non-controlling interests	**43,713**	63,650
TOTAL EQUITY	**135,674**	203,435

NOTES

For the year ended 31 December 2023

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 NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

Except for disclosed above, the application of other new and 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.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
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[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[2]
Amendments to HKAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that application of all 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 director of the Company, 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 determination of the reportable segment is based on the information about the operations of the Group that management uses to make decisions.

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

Sales and manufacturing of PHC piles and other products.

The CODM considered the Group has only one reportable 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 (excluded deferred tax assets) were located in the PRC for both years, no geographical segment information in accordance with HKFRS 8 is presented.

Information about major customer

No customer contributed 10% or more to the Group's revenue for both years.

5. REVENUE

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers recognised at a point in time:		
PHC piles	**70,147**	85,498
Ready-mixed concrete	**145,885**	311,792
Concrete blocks	**29,522**	49,817
Other products	**977**	4,008
	246,531	451,115

6. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Compensation income	**47**	857
Government grants	**—**	328
Sundry income	**28**	1
	75	1,186

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

	2023	2022
	HK$'000	*HK$'000*
Exchange (loss)/gain, net	**(66)**	125
Realised loss arising on change in fair value of financial assets at fair value through profit or loss	**—**	(5,802)
(Loss)/gain on disposal of property, plant and equipment	**(573)**	260
Provision for compensation and cost for legal cases	**(126)**	(5,437)
Over-provision of other payables	**546**	—
Gain on deregistration of subsidiaries	**694**	—
	475	(10,854)

8. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on leases liabilities	**163**	186
Interest on interest-bearing borrowings	**1,461**	2,943
	1,624	3,129

9. LOSS FOR THE YEAR

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

	2023	2022
	HK$'000	*HK$'000*
Cost of material used	**147,149**	238,914
Carriage expense	**65,897**	113,944
Depreciation of property, plant and equipment	**14,430**	16,082
Depreciation of right-of-use assets	**1,200**	1,269
Written off of inventories	**—**	613
Auditor's remuneration:		
– audit services	**684**	658
– non-audit services	**103**	—
Impairment losses recognised under expected credit loss model, net of reversal:		
– trade and bill receivables	**66**	35,534
– deposits and other receivables	**6,175**	(606)
	6,241	34,928
Impairment loss recognised on non-financial assets:		
– property, plant and equipment	**32**	—
– right-of-use assets	**1,597**	—
– goodwill	**19,941**	—
	21,570	—
Staff costs (including directors' remuneration):		
– salaries, allowances and benefits in kind	**28,988**	43,713
– discretionary bonus	**135**	135
– retirement benefits scheme contributions	**2,632**	2,606
	31,755	46,454

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 2023 and 2022, no forfeited contribution under the retirement benefits scheme of the Group is available to reduce the contribution payable in future years.

10. INCOME TAX EXPENSE/(CREDIT)

	2023	2022
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**—**	567
– (Over)/under-provision in prior years	**(1,042)**	1,223
	(1,042)	1,790
Deferred tax charge/(credit)	**1,417**	(8,986)
Income tax expense/(credit)	**375**	(7,196)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced 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$2,000,000 of profits of the qualifying group entity are taxed at 8.25%, and profits above HK$2,000,000 are 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 both years. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for both years 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. DIVIDEND

No final dividend was paid or proposed during the year ended 31 December 2023 (2022: 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:

	2023	2022
	HK$'000	*HK$'000*
Loss:		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(45,146)**	(37,385)

	2023	2022
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	**179,600**	179,600

As the Company's outstanding convertible notes where applicable had an anti-dilutive effect to the basic loss per share calculation, the conversion 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

	2023	2022
	HK$'000	*HK$'000*
Trade receivables from contracts with customers	**165,746**	220,295
Less: allowance for credit losses	**(58,258)**	(60,034)
Trade receivables (net of allowance for credit losses)	**107,488**	160,261
Bill receivables	**1,523**	865
Less: allowance for credit losses	**(839)**	(865)
Trade and bill receivables (net of allowance for credit losses)	**108,172**	160,261
Loan receivables	**95,454**	129,141
Less: allowance for credit losses	**(95,454)**	(129,141)
Loan receivables (net of allowance for credit losses)	**—**	—
Total trade, bill and loan receivables (net of allowance for credit losses)	**108,172**	160,261

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:

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**75,463**	79,140
4 to 6 months	**17,920**	36,952
7 to 12 months	**14,789**	44,169
	108,172	160,261

14. TRADE PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**28,511**	37,985
4 to 6 months	**20,993**	33,492
7 to 12 months	**18,224**	23,952
Over 12 months	**13,540**	3,636
	81,268	99,065

The average credit terms received from suppliers of the Group is one month. All trade payables are denominated in RMB as at 31 December 2023 and 2022.

15. PLEDGED OF ASSETS

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

	2023	2022
	HK$'000	*HK$'000*
Buildings	**51,439**	55,819
Plant and machinery	**11,691**	22,706
Right-of-use assets	**23,173**	22,430
	86,303	100,955

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 FY2023 was HK$246,531,000 compared with HK$451,115,000 reported last year, which decreased by approximately 45%. The decrease in revenue for the year was mainly attributable to the slumping property market and related business sectors.

Other gains and losses, net

Other gains and losses, net for FY2023 amounted to gain of HK$475,000 (FY2022: loss of HK$10,854,000), represented a difference of HK$11,329,000. Such difference was mainly due to the absence of unrealised loss arising on change in fair value of financial assets at fair value through profit or loss of approximately HK$5,802,000 in FY2023 and decrease in provision for compensation and cost of legal cases.

Administrative expenses

Administrative expenses for FY2023 amounted to HK$23,977,000 (FY2022: HK$29,398,000), representing a decrease of approximately 18%, which was mainly due to the decrease in legal and professional fees and staff welfare.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with equity fund raising activities, internally generated cash flow, advances from controlling shareholder and banking facilities provided by its principal bankers in the PRC. As at 31 December 2023, equity attributable to owners of the Company was HK$91,961,000, representing a decrease of approximately 34% over last year. As at 31 December 2023, the Group's cash and cash equivalents stood at HK$27,749,000 whereas interest-bearing borrowings were HK$18,511,000. The annual interest rates of the borrowings for FY2023 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 144% as at 31 December 2023.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

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

CAPITAL STRUCTURE

Convertible notes

As the Relevant Convertible Notes have been surrendered as mentioned under the sections of "Contingent Liabilities" and "Legal Proceedings", the corresponding equity, in the amount of HK$6,300,000, relating to the Relevant Convertible Notes be written off to accumulated losses as a movement of reserves during the year.

As at 31 December 2023, the Company had convertible notes with principal amount of HK$15,000,000. Based on the opinion obtained from the legal advisers of the Company, in view of the on-going legal proceedings mentioned under the paragraphs 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 2023 and 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had approximately 264 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 2023 and 31 December 2022.

CONTINGENT LIABILITIES

1. References were 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 "**Action**").

   The amount of the claims by Ms. Liu, in relation to the convertible notes with a face value of HK$15,000,000 (the "**Relevant Convertible Notes**"), was about HK$40,000,000 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**").

   In early 2023, Ms. Liu had requested to discontinue her claims against the Company provided that First Billion Global Limited, a wholly-owned subsidiary of the Company, and the Company discontinued their claims against Ms. Liu upon the receipt of the Relevant Convertible Notes by the Company's solicitors. According to the consent order dated 21 June 2023, Ms. Liu's claims against the Company was dismissed with no order as to costs. According to a legal opinion dated 26 March 2024 given by the Company's solicitors, the above Action has been concluded.

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$262,000,000, against the Plaintiffs.

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

   (a) 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. The Company/its subsidiary as the plaintiff

By a Generally Indorsed Writ of Summons dated 23 June 2015 and Statement of Claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the "**Plaintiffs**") against Xiao Guang Kevin (蕭光) ("**Mr. Xiao**") and Wang Zhining (王志寧) ("**Mr. Wang**") (collectively, the "**Defendants**"), the vendor and the guarantor, respectively, all of whom were parties to a very substantial acquisition of the Company (the "**VSA**") as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, the Plaintiffs claimed that the Defendants had fundamentally breached the terms and conditions of the SPA (the "**SPA Legal Proceedings**"). Accordingly, the Plaintiffs were seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao. As at 31 December 2023, the outstanding convertible notes, with principal amount of HK$15,000,000, were under dispute.

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 Wang Tian (王天) which had led to the Group's involvement in such litigation.

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

In early 2023, Ms. Liu had requested to discontinue her claims against the Company provided that the Plaintiffs discontinued their claims against Ms. Liu upon the receipt of the Relevant Convertible Notes by the Company's solicitors. According to the consent order dated 21 June 2023, the Plaintiffs' claims against Ms. Liu was dismissed with no order as to costs.

2. The Company's subsidiary as the defendant

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

As at 31 December 2023, the total outstanding amounts including interest due by Zhuhai Hoston to Kou Jinshui and Zhuhai Hechuan were approximately RMB1,900,000 and RMB4,200,000 respectively. The freezing of the Frozen Shares is only an assets preservation measure by litigants in pending lawsuits. Nevertheless, the Group retains to have control and ownership in such Frozen Shares and there will not have material impact on the operations of Guangdong Hengjia. As at the date of this 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 was made to the Company's announcement dated 12 December 2022, Sunway FM, an indirectly wholly-owned subsidiary of the Company, received a statutory demand (the "**First Statutory Demand**") on 9 December 2022 from Messrs. Gallant, a solicitors firm previously acting for Sunway FM, pursuant to Sections 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), demanding Sunway FM to pay an amount of approximately HK$958,000, being the outstanding fees and relevant interest incurred due and owed by Sunway FM for legal services previously provided.

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

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

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

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

(a) Huali Capital Investment Holding Co., Limited ("Huali Capital")

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

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

(b) Mei Rui Group Limited ("Mei Rui")

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

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

(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$1,000,000 was tendered to Sunway FM as earnest money for settlement negotiation. On 21 September 2020, Sunway FM accepted Fuzhou Xufa's request for settlement negotiation. Sunway FM therefore instructed Zhuoxin Law Firm to notify the Court of its intention to withdraw the case for settlement negotiation and it had been refunded of part of the costs of the legal action from Fuzhou Intermediate People's Court.

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

(e) ***Charmate Development Limited ("Charmate")***

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

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

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

(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. The solicitors had advised that as winding up and enforcement actions had been taken against Tailor Wealth and Huali Capital, actions would be taken against Sky Long after the result of the liquidation of Tailor Wealth in the BVI and Huali Capital in Hong Kong in order to save costs.

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

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

1. Reduction of reserve requirement ratio

The Governor of the People's Bank of China (the "**Central Bank**") announces that the Central Bank will lower the reserve requirement ratio by 0.5% with effect from 5 February 2024 to provide the market with long-term liquidity of approximately RMB1 trillion. The Central Bank will balance the relationship between short-term and long-term, stable growth and risk prevention, internal balance and external balance, strengthen counter-cyclical and inter-cyclical adjustment so as to create a good monetary and financial environment for the economic operation.

2. China loan prime rate

On 20 February 2024, the Central Bank slashed its reference for mortgages, the 5-year loan prime rate (the "**LPR**"), by 25 basis points to 3.95%, which was more than market forecasts of a reduction of 15 basis points. It was the largest cut since the LPR was introduced in 2019. This move reflects the regulatory authorities' determination to boost the real estate industry.

The LPR with a term of more than 5 years is linked to the interest rate of personal mortgage loans, which will reduce the interest burden of mortgage holders. Therefore, this will increase the demand for residential home in the property market so as to boost economic confidence.

3. Guangdong launches 30 measures to support private economy

In order to implement the deployment requirements of the "Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Development and Growth of the Private Economy", Guangdong Province has recently launched 30 measures to support the development of the private economy. Among them, it is mentioned to encourage financial institutions to increase their support for the financing of private enterprises and guide policy financing guarantee institutions to support listings. Private enterprises can achieve refinancing through the issuance of additional shares and the issuance of convertible bonds.

4. Comprehensively implement tax and fee reduction policies

For the sake of strengthening financial support for private enterprises, the above-mentioned measures will also fully implement tax reduction and fee reduction policies.

The Directors consider that these policies will have positive effects to the construction material industry in the Guangdong Province 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, save as set out below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the year ended 31 December 2023 and up to the date of this announcement:

Mr. Lum Pak Sum had retired as an independent non-executive director with effect from the conclusion of the annual general meeting, as held on 2 June 2023, of Great China Holdings (Hong Kong) Limited (stock code: 0021). In addition, Mr. Lum was appointed as an independent non-executive director by Imperial Pacific International Holdings Limited (stock code: 1076) with effect from 10 October 2023.

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 2023 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 candidates 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 2023.

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 2023 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 2023. 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 2023 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, 27 March 2024

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*