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 2019 AND RESUMPTION OF TRADING

HIGHLIGHTS

- Revenue for the year ended 31 December 2019 was HK$356,952,000, compared with HK$414,717,000 last year, representing a decrease of HK$57,765,000.

- Gross profit for the year ended 31 December 2019 was HK$71,813,000, compared with HK$119,359,000 last year, representing a decrease of HK$47,546,000.

- Loss attributable to owners of the Company was HK$283,995,000, compared with HK$50,501,000 last year, representing an increase of HK$233,494,000.

- Loss per share attributable to owners of the Company amounted to HK39.45 cents, compared with HK8.07 cents last year, representing an increase of HK31.38 cents.

- No final dividend was proposed for the year ended 31 December 2019 (2018: Nil).

RESUMPTION OF TRADING

Application has been made to the Stock Exchange for the resumption of trading with effect from 9:00 a.m. on 28 May 2020 (Thursday).

The Board of Directors (the "**Board**") of Sunway International Holdings Limited (the "**Company**") hereby to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with the comparative amounts for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Interest revenue		**543**	11,374
Other revenue		**356,409**	403,343
Total revenue		**356,952**	414,717
Cost of sales		**(285,139)**	(295,358)
Gross profit		**71,813**	119,359
Other income		**3,608**	7,079
Other losses, net	4	**(244,850)**	(33,819)
Selling and distribution expenses		**(69,235)**	(75,215)
Administrative expenses		**(45,583)**	(48,248)
Other expenses		**(657)**	(3,449)
Finance costs		**(4,008)**	(3,173)
Loss before tax	5	**(288,912)**	(37,466)
Income tax expense	6	**(5,106)**	(6,160)
Loss for the year		**(294,018)**	(43,626)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(283,995)**	(50,501)
Non-controlling interests		**(10,023)**	6,875
		(294,018)	(43,626)
Loss per share	8		
Basic and diluted (HK cents per share)		**(39.45)**	(8.07)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(294,018)**	(43,626)
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(2,292)**	(7,740)
Items that will not be reclassified to profit or loss:		
Revaluation of items of property, plant and equipment	**(11,532)**	10,618
Tax effect of revaluation of items of property, plant and equipment	**2,883**	(2,654)
Other comprehensive (loss)/income for the year, net of tax	**(10,941)**	224
Total comprehensive loss for the year	**(304,959)**	(43,402)
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(289,708)**	(50,143)
Non-controlling interests	**(15,251)**	6,741
	(304,959)	(43,402)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 *HK$'000*	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**101,858**	96,380
Right-of-use assets		**43,717**	–
Prepaid land lease payments		**–**	37,738
Goodwill		**19,941**	19,941
Deferred tax assets		**7,203**	11,705
		172,719	165,764
Current assets			
Inventories		**32,971**	25,822
Trade and bill receivables	9	**95,396**	184,584
Prepayments, deposits and other receivables	10	**89,764**	284,186
Restricted bank deposits		**4**	49
Cash and cash equivalents		**29,049**	23,156
		247,184	517,797
Current liabilities			
Trade payables	11	**70,439**	61,890
Contract liabilities		**4,760**	3,422
Accruals and other payables		**28,741**	41,189
Lease liabilities		**4,739**	–
Amount due to a non-controlling shareholder		**483**	494
Amount due to a shareholder		**2,702**	–
Interest-bearing borrowings		**40,376**	10,530
Tax payable		**7,059**	6,158
		159,299	123,683
Net current assets		**87,885**	394,114
Total assets less current liabilities		**260,604**	559,878

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Non-current liabilities			
Deferred tax liabilities		**3,931**	8,639
Lease liabilities		**2,466**	–
Provision for long service payment		**15**	17
Interest-bearing borrowings		**8,414**	17,458
		14,826	26,114
NET ASSETS		**245,778**	533,764
Capital and reserves			
Share capital		**74,894**	62,414
Convertible notes	12	**12,600**	12,600
Reserves		**93,540**	378,755
Equity attributable to owners of the Company		**181,034**	453,769
Non-controlling interests		**64,744**	79,995
TOTAL EQUITY		**245,778**	533,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

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

The Company's principal activity is investment holding. The Group is principally engaged in manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products and provision of financial services.

2. BASIS OF PREPARATION

These 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**"), accounting principles generally accepted in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**" or "**HK**") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment which are carried at their fair values. These consolidated financial statements are presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group to exercise their judgements in the process of applying the accounting policies.

Adoption of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

2. BASIS OF PREPARATION *(Continued)*

Adoption of new and revised HKFRSs *(Continued)*

HKFRS 16 "Leases"

The Group has adopted HKFRS 16 from 1 January 2019 without restating comparative information for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening statement of financial position on 1 January 2019 as follows:

	As at 1 January 2019
	HK$'000
Increase in right-of-use assets	49,623
Increase in lease liabilities	(11,090)
Decrease in prepaid land lease payments	(37,738)
Decrease in prepayments, deposits and other receivables	(795)

The incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.5%. The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	HK$'000
Operating lease commitment at 31 December 2018:	12,352
Less: Commitment relating to leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(155)
Discounting	(1,107)
Lease liabilities	11,090

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group has three reportable segments as follows:

- Sales and manufacturing of pre-stressed steel bar (the "**PC steel bar**");

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

- Money lending, provision of assets management services, advising on securities services and securities brokerage services (the "**Financial services**").

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

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

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

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

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

(a) **Segment results, segment assets and liabilities**

	PC steel bar	**PHC piles and others**	**Financial services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2019				
Segment revenue				
Revenue from external customers	–	356,409	543	356,952
Segment results	(358)	(8,498)	357	(8,499)
Reconciliation:				
Bank interest income				49
Other losses, net				(244,850)
Finance costs				(4,008)
Unallocated head office and corporate expenses				(31,604)
Loss before tax				(288,912)
Income tax expense				(5,106)
Loss for the year				(294,018)
As at 31 December 2019				
Segment assets	889	349,019	742	350,650
Unallocated assets				69,253
				419,903
Segment liabilities	(21,434)	(73,913)	–	(95,347)
Unallocated liabilities				(78,778)
				(174,125)

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

(a) **Segment results, segment assets and liabilities** *(Continued)*

	PC steel bar *HK$'000*	PHC piles and others *HK$'000*	Financial services *HK$'000*	Total *HK$'000*
For the year ended 31 December 2018				
Segment revenue				
Revenue from external customers	–	403,343	11,374	414,717
Segment results	(299)	27,061	4,531	31,293
Reconciliation:				
Bank interest income				58
Other losses, net				(33,819)
Finance costs				(3,173)
Unallocated head office and corporate expenses				(31,825)
Loss before tax				(37,466)
Income tax expense				(6,160)
Loss for the year				(43,626)
As at 31 December 2018				
Segment assets	1,716	387,546	128,751	518,013
Unallocated assets				165,548
				683,561
Segment liabilities	(21,163)	(77,631)	(1,084)	(99,878)
Unallocated liabilities				(49,919)
				(149,797)

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

(b) Other segment information

	PC steel bar	**PHC piles and others**	**Financial services**	**Corporate/ unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2019					
Other segment information:					
Capital expenditure	–	51,497	–	83	51,580
Depreciation	–	(23,699)	–	(5,696)	(29,395)
Provision for impairment loss of trade receivables, net	–	(5,618)	(117,178)	–	(122,796)
Provision for impairment loss of prepayments, deposits and other receivables, net	(10)	(7,616)	–	(103,812)	(111,438)

	PC steel bar	PHC piles and others	Financial services	Corporate/ unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2018					
Other segment information:					
Capital expenditure	–	18,000	88	–	18,088
Depreciation	–	(18,508)	(606)	(578)	(19,692)
Amortisation of prepaid land lease payments	–	(704)	–	–	(704)
Reversal of provision/ (provision) for impairment loss of trade receivables, net	–	484	(12,963)	–	(12,479)
Write-off of trade receivables	–	(289)	–	–	(289)
Write-off of prepayments, deposits and other receivables	–	(132)	–	–	(132)
Reversal of provision for impairment loss of prepayments, deposits and other receivables, net	–	64	–	–	64

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

(c) **Geographical information**

The geographical location of revenue information is based on the locations of customers at which the goods and services delivered. The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

	Non-current assets As at 31 December		Revenue Year ended 31 December	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**28,462**	2,718	**543**	11,375
The PRC (excluding Hong Kong for the purposes of this announcement)	**137,054**	151,341	**356,409**	403,342
	165,516	154,059	**356,952**	414,717

(d) **Information about major customer**

The Group had no transactions with customer which contributed over 10% of its total revenue for the year ended 31 December 2019 (2018: Nil).

4. **OTHER LOSSES, NET**

	2019	2018
	HK$'000	*HK$'000*
Exchange difference, net	**(2,619)**	(6,500)
Net loss arising on investments at fair value through profit or loss	**–**	(457)
Provision for impairment loss of goodwill	**–**	(1,041)
Provision for impairment loss of trade receivables, net *(Note 9)*	**(122,796)**	(12,479)
(Provision)/reversal of provision for impairment loss of prepayments, deposits and other receivables, net *(Note 10)*	**(111,438)**	64
(Loss)/gain on disposal of property, plant and equipment	**(6,470)**	439
Write-off of trade receivables	**–**	(289)
Write-off of prepayments, deposits and other receivables	**–**	(132)
Provision for compensation and cost for legal cases	**(1,527)**	(1,638)
Provision for impairment loss of intangible assets	**–**	(11,786)
	(244,850)	(33,819)

5. LOSS BEFORE TAX

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**205,738**	214,532
Depreciation	**29,395**	19,692
Amortisation of prepaid land lease payments	**–**	704
Auditor's remuneration	**2,150**	1,080
Short-term leases/operating lease payments in respect of land and buildings	**140**	4,635
Provision of compensation and cost for legal cases	**1,527**	1,638
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	**14,901**	33,974
– reversal of provision for long service payment	**(2)**	(3)
– retirement benefits scheme contributions	**1,697**	1,898
	16,596	35,869

6. INCOME TAX EXPENSE

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 8.25% for the first HK$2,000,000 of the estimated assessable profits and 16.5% of the remaining estimated assessable profits arising in Hong Kong for the year ended 31 December 2019 (2018: 16.5% on the estimated assessable profits). No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during that year. Subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the standard rate of 25% (2018: 25%). No provision for overseas taxation is required since the Group has no assessable profit arisen from its operations outside Hong Kong and the PRC during the year (2018: Nil).

	2019	2018
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**1,162**	6,591
– Under/(over)-provision in prior years	**1,442**	(992)
	2,604	5,599
Current tax – Hong Kong Profits Tax		
–Provision for the year	**–**	930
Deferred tax	**2,502**	(369)
	5,106	6,160

7. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2019 and 2018.

8. LOSS PER SHARE

Loss per share

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

	2019	2018
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(283,995)**	(50,501)

	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis loss per share	**719,873,310**	625,487,645

Comparative figure of number of shares for the purpose of loss per share was adjusted on the assumption that the share consolidation had been effective in the prior year.

Diluted loss per share

No diluted loss per share for the years ended 31 December 2019 and 2018 is presented as the effects of all convertible notes and options are anti-dilutive for the years.

9. TRADE AND BILL RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables, gross	**143,282**	101,280
Less: provision for impairment loss	**(48,957)**	(44,433)
Trade receivables, net	**94,325**	56,847
Bill receivables, gross	**334**	–
Less: provision for impairment loss	**(4)**	–
	94,655	56,847
Loan receivables, gross	**130,882**	140,700
Less: provision for impairment loss	**(130,141)**	(12,963)
Loan receivables, net	**741**	127,737

9. TRADE AND BILL RECEIVABLES *(Continued)*

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. For trade receivables resulted from sales of goods and services, the credit period is generally one to three (2018: one to three) months from the date of billing, except for certain well-established customers, where the term is extended to six months. For loan receivables, the loan period is generally twelve (2018: three to eighteen) months from the date of inception or renewal. The Group seeks to maintain strict control over its receivables to minimise credit risk.

As at 31 December 2019, except for the gross loan receivables of HK$130,882,000 (2018: HK$140,700,000) which bore fixed interest rates ranging from 8% to 10% (2018: 8% to 10%) per annum and, of which HK$130,141,000 (2018: HK$132,129,000) were secured with charges over the assets owned by the borrowers and/or personal guarantees, trade receivables are non-interest bearing and unsecured.

(a) Ageing analysis

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

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**–**	28,791
4 to 6 months	**–**	45,433
7 to 12 months	**741**	53,513
	741	127,737

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

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**78,966**	44,182
4 to 6 months	**6,325**	1,339
7 to 12 months	**6,964**	3,267
Over 12 months	**2,400**	8,059
	94,655	56,847

9. TRADE AND BILL RECEIVABLES *(Continued)*

(b) Impairment of loan and trade receivables

The movement in provision for impairment of trade receivables is as follows:

	2019	2018
	HK$'000	*HK$'000*
Balance at beginning of year	**44,433**	53,868
Impairment loss recognised	**11,296**	4,168
Impairment loss reversed	**(5,678)**	(4,652)
Amounts written off	**–**	(6,426)
Exchange realignment	**(1,090)**	(2,525)
Balance at end of year	**48,961**	44,433

The movement in provision for impairment of loan receivables is as follows:

	2019	2018
	HK$'000	*HK$'000*
Balance at beginning of year	**12,963**	–
Impairment loss recognised	**117,178**	12,963
Balance at end of year	**130,141**	12,963

Included in the above provision for impairment loss was a full provision for individually impaired loan and trade receivables of HK$128,474,000 (2018: HK$17,131,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers, their ongoing relationship with the Group and the ageing of those receivables. The Group does not hold any collateral over these balances.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all loan and trade receivables. To measure the expected credit losses, loan and trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

9. TRADE AND BILL RECEIVABLES *(Continued)*

(b) Impairment of loan and trade receivables *(Continued)*

	Current *HK$'000*	Within 3 months past due *HK$'000*	Over 3 months past due *HK$'000*	Over 6 months past due *HK$'000*	Over 12 months past due *HK$'000*	Total *HK$'000*
At 31 December 2019						
Loan receivables						
Weighted average expected loss rate	**96%**	**100%**	**100%**	**100%**	**100%**	
Receivable amount	**19,948**	**23,502**	**45,000**	**31,068**	**11,364**	**130,882**
Loss allowance	**(19,207)**	**(23,502)**	**(45,000)**	**(31,068)**	**(11,364)**	**(130,141)**
Trade receivables						
Weighted average expected loss rate	**1%**	**3%**	**5%**	**22%**	**95%**	
Receivable amount	**66,580**	**17,139**	**6,354**	**4,724**	**48,819**	**143,616**
Loss allowance	**(710)**	**(473)**	**(330)**	**(1,029)**	**(46,419)**	**(48,961)**
At 31 December 2018						
Loan receivables						
Weighted average expected loss rate	0%	31%	32%	47%	100%	
Receivable amount	126,057	651	635	1,506	11,851	140,700
Loss allowance	–	(202)	(202)	(708)	(11,851)	(12,963)
Trade receivables						
Weighted average expected loss rate	0%	0%	0%	0%	85%	
Receivable amount	37,207	3,941	2,649	4,991	52,492	101,280
Loss allowance	–	–	–	–	(44,433)	(44,433)

Included in the balance of impairment of loan and trade receivables of HK$179,102,000 represented an amount of HK$130,141,000 (2018: HK$12,963,000) which is impairment of loan receivables.

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

9. TRADE AND BILL RECEIVABLES *(Continued)*

(b) Impairment of loan and trade receivables *(Continued)*

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

The Group has noticed that 6 borrowers (and their guarantors, if any) (together known as the "Loan Debtors") failed to repay any outstanding principals and interest during the year ended 31 December 2019.

According to the loan agreements, the Loan Debtors had been in default for loans repayment for which the enforceability of the collaterals, if any, was quite difficult. Accordingly, base on a valuation report as prepared by an independent valuer, a full provision of impairment for loan receivables from the Loan Debtors amounted to HK$117,178,000 (2018: HK$12,963,000) had been recognised in the consolidated statement of profit or loss for the year ended 31 December 2019.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments, deposits paid and other receivables	**175,036**	257,980
Refundable deposits paid for acquisition of subsidiaries *(note (a))*	**106,637**	106,637
	281,673	364,617
Less: provision for impairment loss of Prepayments, deposits paid and other receivables *(note (b))*	**(88,120)**	(80,431)
Less: provision for impairment loss of refundable deposits paid for acquisition of subsidiaries *(note (a))*	**(103,789)**	–
Total provision for impairment loss *(note (b))*	**(191,909)**	(80,431)
	89,764	284,186

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

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) References are made to the Company's announcements dated 12 September 2017 and 10 October 2017. During the year ended 31 December 2017, the Group paid refundable earnest money of HK$100,000,000 to acquire certain equity interests of a target group. As security for the repayment of the refundable earnest money of HK$100,000,000, the entire issued share capital of the holding company of the target group held by the vendor was charged in favour of the Group, and the performance of all the obligations of the vendor was guaranteed by the shareholder of the vendor (the "**Guarantor**"). Further reference is made to the Company's announcement dated 2 July 2019, the Group decided not to proceed with the acquisition. However, the vendor failed to return the earnest money of HK$100,000,000. Legal actions have been taken against the vendor and the Guarantor. Further details are set out in the paragraph headed "Legal Proceedings" of the Management Discussion and Analysis. Based on the valuation report as prepared by an independent valuer, as the recovery of the refundable deposits is remote, the refundable deposit of HK$100,000,000 was fully impaired during the year ended 31 December 2019.

Reference is made to announcements dated 21 November 2017, 6 February 2018, and 7 April 2020 in relation to the acquisition of a Target Company. However, the Company noted that the property market in Australia has shown signs of weakness with a declining trend of property prices in recent years, which cast doubts on the growth potential of the Target Company and in view of the economic uncertainty, the Company considered that it may not be in the interest of the Group and its shareholders to proceed with the acquisition. The management has planned to go to Australia to negotiate with the Vendor on the possibility of refunding the deposit (HK$6,637,000) made once the travel restrictions be withdrawn arising from the global COVID-19. Provision for impairment loss of HK$3,789,000 has been made against the deposit during the year in accordance with the valuation report as prepared by an independent valuer.

(b) Provision for impairment loss is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly.

The movement in provision for impairment loss of prepayments, deposits, and other receivables is as follows:

	2019	2018
	HK$'000	*HK$'000*
Balance at beginning of year	**80,431**	84,918
Impairment loss recognised	**114,329**	66
Impairment loss reversed	**(2,891)**	(130)
Exchange realignment	**40**	(4,423)
Balance at end of year	**191,909**	80,431

As at 31 December 2019, the Group's other receivables with a carrying amount before provision of HK$114,329,000 (2018: HK$66,000) were individually determined to be fully impaired. The individually impaired receivables related to debtors that were in financial difficulties and overdue for more than one year and management assessed that the recovery of these receivables is in doubt.

During the year ended 31 December 2015, the Group appointed an independent professional advisor to perform an investigation on certain prepayments, deposits and other receivables of a subsidiary of the Group. Based on the findings of the investigation, certain prepayments may involve the possible commercial crime committed by two former directors of a subsidiary of the Group. The management assessed and considered the recoverability of these receivables is in doubt. As at 31 December 2019 and 2018, certain prepayments, deposits and other receivables with a carrying amount before provision of HK$57,138,000 were individually determined to be fully impaired.

11. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**70,439**	61,890

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

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**51,735**	47,131
4 to 6 months	**14,322**	10,010
7 to 12 months	**–**	14
Over 1 year	**4,382**	4,735
	70,439	61,890

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

12. CONVERTIBLE NOTES

On 2 May 2014, the Company issued convertible notes with an aggregate amount of HK$300,000,000 in connection with the acquisition of Joint Expert Global Limited and its subsidiaries. The convertible notes are denominated in HK$, carry zero interest rate and were matured on 28 April 2017.

The convertible note holders are entitled to convert the convertible notes into ordinary shares of the Company at an conversion price of HK$0.18(adjusted) per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible notes) at any time during the period commencing from the date of issuance of the convertible notes to the maturity date. Unless conversion notice shall have been previously given by the note holder to the Company, the Company may, by giving the note holder not less than 7 days prior written notice at any time after the date of issuance of the convertible notes, redeem the notes at a value equal to the principal amount of the notes to be redeemed. On maturity date, any convertible notes not being redeemed or converted shall be converted into conversion shares at the conversion price subject to compliance with the Listing Rules. If any conversion will trigger breach of the Listing Rules, then the Company may convert such sum of the convertible notes into shares as it considers appropriate and the remaining balance will be cancelled immediately.

Under the convertible notes, there is no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition of financial liabilities under Hong Kong Accounting Standard 32 "Financial Instruments: Presentation". As a result, the whole instrument was classified as equity.

During the year ended 31 December 2016, the Company redeemed convertible notes with an aggregate principal amount of HK$100,000,000 at its fair value of approximately HK$89,155,000 to settle the profit guarantee compensation receivables. No redemption was made during the years ended 31 December 2018 and 2017. As at 31 December 2018 and 2017, the unconverted convertible notes were under dispute with a third party and litigation is in progress as disclosed in the paragraph headed "Legal Proceedings" of the Management Discussion and Analysis.

As at 31 December 2019, the convertible notes of the Company with an aggregate principal amount of HK$30,000,000 (2018: HK$30,000,000) were still outstanding.

Reference is made to the Company's announcement dated 1 June 2018. Based on the opinions obtained from the legal advisers of the Company, in view of the ongoing legal proceedings, 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. Hence, there is no adjustment upon the share consolidation becoming effective.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2019, an extract of which is as follows:

QUALIFIED OPINION

We have audited the consolidated financial statements of Sunway International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out in the annual report of the Company, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Loan receivables

Due to the uncertainty of the final recoverable amount arising from the default loan receivables, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the carrying amount of loan receivables of approximately HK$741,000 as at 31 December 2019; and (ii) whether the impairment loss of loan receivables of approximately HK$117,178,000 for the year ended 31 December 2019 should be recognised in current year.

Prepayments, deposits and other receivables

Due to the uncertainty of the final recoverable amount arising from the relevant ongoing legal proceedings, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the carrying amount of refundable deposits paid for acquisition of subsidiaries of approximately HK$Nil in relation to Sunway New Energy Industry Group Limited as at 31 December 2019; and (ii) whether the impairment loss of deposits paid for acquisition of subsidiaries of approximately HK$100,000,000 for the year ended 31 December 2019 should be recognised in current year.

Any adjustments to the figures mentioned above might have consequential effects on the Group's results for the year ended 31 December 2019, the financial position of the Group as at 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results announcement for the year ended 31 December 2019 (the "**Unaudited Annual Results**"), was neither audited nor agreed with ZHONGHUI ANDA CPA Limited as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Items for the year ended 31 December 2019	**Disclosure in this Audited Annual Results Announcement**	**Disclosure in the Unaudited Annual Results Announcement**	**Difference**	*Notes*
	HKD'000	*HKD'000*	*HKD'000*	
Consolidated statement of profit or loss				
Cost of sales	(285,139)	(276,234)	(8,905)	*1*
Gross profit	71,813	80,718	(8,905)	*6*
Other income	3,608	2,809	799	*3*
Impairment loss of loan receivables	–	(117,176)	117,176	*2*
(Impairment loss)/reversal of trade and bill receivables, net	–	(8,064)	8,064	*2*
Impairment loss of deposits paid for acquisition of subsidiaries and etc.	–	(106,637)	106,637	*2*
(Impairment loss)/reversal of prepayments and other receivables, net	–	(31,272)	31,272	*2*
Other losses, net	(244,850)	(10,034)	(234,816)	*2*
Administrative expenses	(45,583)	(44,070)	(1,513)	*3*
Loss before tax	(288,912)	(307,626)	18,714	*6*
Income tax expense	(5,106)	(13,001)	7,895	*4*
Loss for the year	(294,018)	(320,627)	26,609	*6*
(Loss)/profit for the year attributable to:				
Owners of the Company	(283,995)	(299,871)	15,876	*6*
Non-controlling interests	(10,023)	(20,756)	10,733	*6*
Loss for the year	(294,018)	(320,627)	26,609	*6*

Items for the year ended 31 December 2019	Disclosure in this Audited Annual Results Announcement	Disclosure in the Unaudited Annual Results Announcement	Difference	*Notes*
	HKD'000	*HKD'000*	*HKD'000*	
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(2,292)	(1,753)	(539)	*1*
Consolidated statement of comprehensive income				
Items that will not be reclassified to profit or loss:				
Revaluation of items of property, plant and equipment	(11,532)	(13,412)	1,880	*1*
Tax effect of revaluation of items of property, plant and equipment	2,883	3,353	(470)	*1*
Other comprehensive (loss)/income for the year, net of tax	(10,941)	(11,812)	871	*6*
Total comprehensive loss for the year	(304,959)	(332,439)	27,480	*6*
Total comprehensive (loss)/income for the year attributable to:				
Owners of the Company	(289,708)	(305,858)	16,150	*6*
Non-controlling interests	(15,251)	(26,581)	11,330	*6*

Items for the year ended 31 December 2019	Disclosure in this Audited Annual Results Announcement	Disclosure in the Unaudited Annual Results Announcement	Difference	*Notes*
	HKD'000	*HKD'000*	*HKD'000*	
Consolidated statement of financial position				
Property, plant and equipment	101,858	108,598	(6,740)	*1*
Deferred tax assets	7,203	1,273	5,930	*4*
Trade and bill receivables	95,396	92,997	2,399	*2*
Prepayments, deposits and other receivables	89,764	63,725	26,039	*2*
Total current assets	247,184	218,746	28,438	6
Accruals and other payables	28,741	27,232	1,509	3
Interest-bearing borrowings	40,376	33,671	6,705	5
Total current liabilities	159,299	151,085	8,214	6
Net current assets	87,885	67,661	20,224	6
Total assets less current liabilities	260,604	241,190	19,414	6
Deferred tax liabilities	3,931	5,294	(1,363)	4
Interest-bearing borrowings	8,414	15,118	(6,704)	5
Non-current liabilities	14,826	22,893	(8,067)	6
NET ASSETS	245,778	218,297	27,481	6
Reserves	93,540	77,389	16,151	6
Equity attributable to owners of the Company	181,034	164,883	16,151	6
Non-controlling interests	64,744	53,414	11,330	6
TOTAL EQUITY	245,778	218,297	27,481	6

Notes:

1 The difference is due to 1) increase in assessed fair value of property, plant and equipment; 2) increase in depreciation for the revaluated property, plant and equipment; and (3) reclassification of revaluation surplus to loss on disposal of property, plant and equipment.

2 The difference is due to 1) reclassification of impairment loss to other loss; 2) reassessment of provision for impairment loss of trade and bill receivables; and (3) reassessment of provision for impairment loss of prepayments, deposits and other receivables.

3 The difference is due to 1) additional audit fee for the year ended 31 December 2019; and (2) certain reclassification of other income and administrative expenses.

4 The difference is due to 1) decrease in deferred tax liabilities related to additional depreciation for the revaluated property, plant and equipment and fair value change of property, plant and equipment; and (2) reassessment of tax loss utilisation related to provision for impairment loss of trade receivables.

5 The difference is due to the reclassification between current and non-current proportion of interest-bearing borrowings.

6 The difference is mainly due to adjustment of the items set out herein.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

Construction materials business consisted of the PHC Pile and Others Business and the PC Steel Bar 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 FY2019 was HK$356,409,000 compared with HK$403,343,000 reported last year, which decreased by approximately 11.6%. The decrease in revenue for the period was mainly attributable to the down turn on infrastructure market after the completion of relevant governmental projects.

The operations of the PHC Pile and Others Business for FY2019 incurred a segment loss of HK$8,498,000 as compared with a segment profit of HK$27,061,000 reported last year due to the decrease in demand on construction material resulting from the several weather disruption to construction sites in Yangjiang City, the decrease in gross profit margin resulting from increase in cost of raw materials and impairments have been made against long outstanding items in accordance with the valuation report.

PC Steel Bar Business

PC Steel Bar Business is operated by a subsidiary of the Company, 珠海和盛特材股份有限公司 Zhuhai Hoston Special Materials Co., Ltd*. ("**Zhuhai Hoston**") and its production factory is situated in Zhuhai City, Guangdong Province, the PRC (the "**Zhuhai Factory**"). The operation of the Zhuhai Factory has been suspended since 1 January 2016.

PC Steel Bar Business did not generate revenue during the FY2019. Expenses incurred during the year were mainly staff costs and legal fees for the Zhuhai Factory. Segment loss for FY2019 was HK$358,000 as compared with HK$299,000 reported last year.

Financial Services Business

Financial services business consisted of money lending business in Hong Kong.

Money lending business contributed HK$543,000 to the revenue of the Group during FY2019 (FY2018: HK$11,375,000) which decreased by 95.2% compared with last year and represented interest income from loans granted to customers.

Segment profit for FY2019 was HK$357,000 as compared with segment profit of HK$4,531,000 reported last year.

Reference was made to the announcement of the Company dated 11 February 2020 in relation to the non-renewal of money lenders licence upon its expiry on 11 February 2020.

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 2019, the total shareholders' equity of the Group was HK$245,778,000, representing a decrease of approximately 54.0% over last year. As at 31 December 2019, the Group's cash and cash equivalents stood at HK$29,049,000 whereas interest-bearing borrowings were HK$48,790,000. The annual interest rates of the borrowings for FY2019 ranged from 4.2% to 8.12% 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 equity, was approximately 71.1% as at 31 December 2019.

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 2019, the Company had convertible notes with principal amount of HK$30,000,000. Based on the opinion obtained from the legal adviser of the Company, 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 Allotments

On 13 March 2019, the Company entered into a subscription agreement with a subscriber to allot and issue 124,800,000 ordinary shares of HK$0.1 each to the subscriber at a price of HK$0.136 per share. The share allotment was completed on 27 March 2019. The proceeds from the share subscription would be used for general working capital purposes.

On 29 November 2019, the Company entered into a subscription agreement with Wealthy Port Holdings Limited ("**Wealthy Port**"), a substantial shareholder of the Company, which is beneficially owned by Mr. Chim Sai Yau, Oscar, an executive Director of the Company, pursuant to which the Company has conditionally agreed to allot and issue 149,063,676 ordinary shares of HK$0.1 each to Wealthy Port at a price of HK$0.1 per share. The share allotment was completed on 30 March 2020. The proceeds from the share subscription would be used for general working capital purposes.

Share options

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

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

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2019.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's certain buildings of HK$43,794,000, certain right-of-use assets of HK$21,441,000 and certain plant and machinery of HK$26,592,000 were used to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 420 full-time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme.

FOREIGN EXCHANGE AND CURRENCY RISKS

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("**RMB**") and Hong Kong Dollars ("**HKD**"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

COMMITMENT

The Group did not have material commitments as at 31 December 2019 and 31 December 2018.

CONTINGENT LIABILITIES

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

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

The amount of the claims by Ms. Liu, in relation to the convertible notes with a face value of HK$15 million, was about HK$40 million as per the Statement of Claim dated 29 January 2016. The convertible notes were issued in favour of the vendor as part of the consideration of the sale and purchase agreement dated 3 October 2013 ("**SPA**"). According to a legal opinion dated 2 December 2019 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.

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

Reference is made to the Company's announcement dated 20 January 2020 in relation to provision of financial assistance, despite the issue of legal demand letters in August 2019, the six borrowers who are independent third parties have failed to settle any outstanding loans and interests. As a result, Sunway Financial Management Limited has taken the following legal proceedings:

(a) Instruction has been given to British Virgin Island ("**BVI**") counsel to issue statutory demands and to commence the winding-up application against those borrowers and guarantor which are incorporated in BVI;

(b) PRC counsel has been engaged to take appropriate legal proceedings in the PRC courts against those borrowers and guarantor that are PRC citizens or PRC incorporated companies; and

(c) Writ of summons and statement of claim against the borrower which is incorporated in Hong Kong has already been sent and currently awaiting response from the borrower.

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 were suspended for a period of three years. However, impairment has been made against the Refundable Earnest Money during the year ended 31 December 2019 in accordance with the valuation report.

3. **The Company/its subsidiary as the plaintiff**

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

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

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

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

4. **The Company/its subsidiary as the defendant**

References are made to the announcements of the Company dated 11 November 2016 and the Annual Report 2018 in relation to the civil complaints involving Zhuhai Hoston, an indirectly owned (95%) subsidiary of the Company.

(a) Upon the respective applications of Kou Jinshui (寇金水) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.*) ("**Zhuhai Hechuan**"), an independent third party, three bank accounts of Zhuhai Hoston and 70% equity interest of Zhuhai Hoston in 廣東恒佳建材股份有限公司 (Guangdong Hengjia Building Materials Co., Ltd*) ("**Guangdong Hengjia**") were suspended/impounded by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016.

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

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

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

On 16 August 2018, Zhuhai Hoston filed an appeal at the Zhuhai Xiangzhou People's Court for the ruling. On 4 March 2019, the Zhuhai Intermediate People's Court rejected the appeal of Zhuhai Hoston and the original judgment was upheld. Accordingly, Zhuhai Hoston applied to the Higher People's Court of Guangdong Province for retrial which was rejected on 29 May 2019. As at the date of this announcement, the share freeze is still in force pending the repayment of the judgment sum by Zhuhai Hoston to Zhuhai Hechuan and Kou Jinshui that will be handled as soon as possible.

(b) Pursuant to a civil ruling dated 13 July 2016 issued by 廣東省珠海市香洲區人民法院 (Guangdong Zhuhai Xiangzhou People's Court)* ("**Xiangzhou People's Court**"), 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was charged (the "**Charge**") to 珠海市中小企業融資擔保有限公司 (Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd) ("**Zhuhai Small & Medium Enterprises**") as security for the debt owned to Zhuhai Small & Medium Enterprises. In view of the full and final settlement of the claim by Zhuhai Small & Medium Enterprises, the Charge be released accordingly while the suspension of Guangdong Hengjia's shares has expired during the year.

PROSPECT

Although the Sino-US trade war has been ongoing since 2018, the dispute has no material impact on the Group's operations. The construction of the new economic belt in PRC will continue to heat up, and there will still be room for development in the domestic infrastructure market in the next few years, providing more market opportunities for related companies. According to the press release published by Guangdong Provincial Development and Reform Commission of the PRC dated 5 March 2020, the province plans to set up 1,230 key projects with a total investment of RMB5.9 trillion, highlighting a new round of investment stemming from the construction of new infrastructure. In addition, 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 25 December 2019, restrictions on residence registration will be lifted or relaxed for cities with a residential population of less than five million in urban areas and the settlement policies for mega cities with a residential population of above five million in urban areas will also be improved. The Directors consider that such policies will have positive effects to the construction material industry in PRC and thus can benefit the Group.

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

UPDATES ON 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:

Mr. Lum Pak Sum was appointed as an independent non-executive Director by China Graphene Group Limited (Stock Code: 0063) on 30 September 2019, listed on the Main Board of the Stock Exchange of Hong Kong Limited.

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 2019, except for the following deviations:

Under the code provision A.6.7 of the Code, independent non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of the shareholders. The independent non-executive Directors, namely Mr. Cong Yongjian and Dr. Lam Huen Sum, were not able to attend the annual general meeting of the Company due to their other commitments.

Under the Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. Mr. Huang Weidong, the chairman of the Board was unable to attend the annual general meeting of the Company held on 24 May 2019. Mr. Li Chongyang, the executive Director of the Company, attended the said annual general meeting to respond to the queries from the shareholders.

AUDIT COMMITTEE

The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2019.

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 comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited ("**ZHONGHUI**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by ZHONGHUI 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 ZHONGHUI 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 2019 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.

RESUMPTION OF TRADING

At the request of the Board, trading in the shares of the Company on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") had been suspended with effect from 9:00 a.m. on 28 April 2020 (Tuesday) pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading with effect from 9:00 a.m. on 28 May 2020 (Thursday).

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

Hong Kong, 27 May 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chim Sai Yau, Oscar, Mr. Li Chongyang and Mr. Law Chun Choi, one non-executive Director, namely, Mr. Lum Pak Sum, and three independent non-executive Directors, namely, Mr. Choi Pun Lap, Mr. Tong Leung Sang and Mr. Chan Sung Wai.

Website: http://www.hk0058.com

* *For identification purpose only*