

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*



## **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 2020**

#### **HIGHLIGHTS**

- Revenue for the year ended 31 December 2020 was HK\$384,960,000, compared with HK\$356,409,000 last year, representing an increase of HK\$28,551,000.
- Gross profit for the year ended 31 December 2020 was HK\$76,947,000, compared with HK\$71,270,000 last year, representing an increase of HK\$5,677,000.
- Loss attributable to owners of the Company was HK\$18,827,000, compared with HK\$283,995,000 last year, representing a decrease of HK\$265,168,000.
- Loss per share attributable to owners of the Company amounted to HK10.92 cents, compared with HK197.25 cents last year, representing a decrease of HK186.33 cents.
- No final dividend was proposed for the year ended 31 December 2020 (2019: Nil).

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 2020, together with the comparative amounts for the year ended 31 December 2019, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Continuing operation</b>			
Revenue	5	<b>384,960</b>	356,409
Cost of sales		<b>(308,013)</b>	(285,139)
Gross profit		<b>76,947</b>	71,270
Other income	6	<b>2,425</b>	3,073
Other gains and losses, net	7	<b>(7,498)</b>	(127,671)
Selling and distribution expenses		<b>(60,028)</b>	(69,235)
Administrative expenses		<b>(29,371)</b>	(44,539)
Other expenses		<b>(872)</b>	(657)
Finance costs	8	<b>(3,559)</b>	(4,008)
<b>Loss before tax</b>		<b>(21,956)</b>	(171,767)
Income tax credit/(expense)	10	<b>2,886</b>	(5,106)
<b>Loss for the year</b>	9	<b>(19,070)</b>	(176,873)
<b>Discontinued operation</b>			
Loss for the period/year from discontinued operation	12	<b>(1,444)</b>	(117,145)
<b>Loss for the year</b>		<b>(20,514)</b>	(294,018)
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(18,827)</b>	(283,995)
Non-controlling interests		<b>(1,687)</b>	(10,023)
		<b>(20,514)</b>	(294,018)
<b>Loss per share</b>			
<b>From continuing and discontinued operations</b>	13		
Basic and diluted (HK cents)		<b>(10.92)</b>	(197.25)
<b>From continuing operation</b>			
Basic and diluted (HK cents)		<b>(10.09)</b>	(115.89)
<b>From discontinued operation</b>			
Basic and diluted (HK cents)		<b>(0.83)</b>	(81.36)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2020*

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the year</b>	<u><b>(20,514)</b></u>	<u>(294,018)</u>
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>18,306</b>	(2,292)
Reclassification adjustment on deregistration of foreign subsidiaries	<b>1,511</b>	–
<i>Items that will not be reclassified to profit or loss:</i>		
Gain/(loss) on revaluation of property, plant and equipment	<b>18,709</b>	(11,532)
Tax effect of revaluation of items of property, plant and equipment	<u><b>(4,667)</b></u>	<u>2,883</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<u><b>33,859</b></u>	<u>(10,941)</u>
<b>Total comprehensive income/(loss) for the year</b>	<u><b>13,345</b></u>	<u>(304,959)</u>
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Owners of the Company	<b>5,017</b>	(289,708)
Non-controlling interests	<u><b>8,328</b></u>	<u>(15,251)</u>
	<u><b>13,345</b></u>	<u>(304,959)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

	<i>Notes</i>	<b>2020</b>	2019
		<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>129,376</b>	101,858
Right-of-use assets		<b>40,400</b>	43,717
Goodwill		<b>19,941</b>	19,941
Deferred tax assets		<b>12,068</b>	7,203
		<u><b>201,785</b></u>	<u>172,719</u>
<b>Current assets</b>			
Inventories		<b>17,702</b>	32,971
Trade, bill and loan receivables	<i>14</i>	<b>139,366</b>	95,396
Prepayment, deposits and other receivables		<b>86,392</b>	89,764
Financial assets at fair value through profit or loss		<b>12,149</b>	–
Restricted bank deposits		<b>1</b>	4
Cash and cash equivalents		<b>12,985</b>	29,049
		<u><b>268,595</b></u>	<u>247,184</u>
<b>Current liabilities</b>			
Trade payables	<i>15</i>	<b>88,837</b>	70,439
Accruals and other payables		<b>40,971</b>	28,741
Contract liabilities		<b>3,509</b>	4,760
Lease liabilities		<b>2,466</b>	4,739
Amounts due to non-controlling interests		<b>515</b>	483
Amount due to a shareholder		<b>5,677</b>	2,702
Interest-bearing borrowings		<b>29,944</b>	40,376
Tax payable		<b>5,887</b>	7,059
		<u><b>177,806</b></u>	<u>159,299</u>
<b>Net current assets</b>		<u><b>90,789</b></u>	<u>87,885</u>
<b>Total assets less current liabilities</b>		<u><b>292,574</b></u>	<u>260,604</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	11,313	8,414
Lease liabilities	–	2,466
Deferred tax liabilities	8,197	3,931
Provision for long service payment	15	15
	<u>19,525</u>	<u>14,826</u>
<b>NET ASSETS</b>	<u><b>273,049</b></u>	<u><b>245,778</b></u>
<b>Capital and reserves</b>		
Share capital	17,960	74,894
Convertible notes	12,600	12,600
Reserves	169,417	93,540
	<u>199,977</u>	<u>181,034</u>
<b>Equity attributable to owners of the Company</b>	<u><b>199,977</b></u>	<u><b>181,034</b></u>
Non-controlling interests	73,072	64,744
	<u>273,049</u>	<u>245,778</u>
<b>TOTAL EQUITY</b>	<u><b>273,049</b></u>	<u><b>245,778</b></u>

## NOTES

*For the year ended 31 December 2020*

### 1. GENERAL INFORMATION

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

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. The Group was also engaged in provision of financial services, for which the board of directors decided not to renew the money lenders license (the "**License**") upon expiration on 11 February 2020, that was discontinued accordingly.

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 by the disclosure requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and 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

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* 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.

#### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9 HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

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

#### 4. OPERATING SEGMENT INFORMATION

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

The Group has two reportable segments during the year ended 31 December 2020. The reportable segments are based on the information about the operations of the Group that management uses to make decisions.

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

##### **Continuing operation**

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

##### **Discontinued operation**

Money lending business (the “**Financial Services**”)

The Group engaged in the Financial Services operation, for which the board of directors decided not to renew the License upon expiration on 11 February 2020, that was discontinued accordingly. Details of the discontinued operation is set out in note 12. The CODM considered the Group has only one reporting and operating segment under HKFRS 8 *Operating Segments*, thus no segment information is presented.

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

### Information about major customer

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>PHC Piles and other products business operations</b>		
Customer A ( <i>note</i> )	<u>46,756</u>	<u>N/A</u>

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

*Note:*

Revenue derived from Customer A did not contribute over 10% of revenue of the Group during the year ended 31 December 2019.

### 5. REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Continuing operation</b>		
Revenue from contracts with customers recognised at a point in time:		
Sales of PHC piles and other products	<u>384,960</u>	<u>356,409</u>

### 6. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Continuing operation</b>		
Bank interest income	65	16
Compensation income	1,435	1,381
Government grants	461	1,578
Sundry income	<u>464</u>	<u>98</u>
	<u>2,425</u>	<u>3,073</u>

During the current year, the Group recognised government grants of HK\$461,000 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**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Continuing operation</b>		
Exchange loss, net	221	2,620
Realised loss arising on change in fair value of financial assets at fair value through profit or loss	2,841	–
Unrealised gain arising on change in fair value of financial assets at fair value through profit or loss	(7,184)	–
Impairment loss recognised under expected credit loss model, net of reversal:		
– trade, bill and loan receivables	15,600	5,618
– deposits and other receivables	(3,438)	111,436
(Gain)/loss on disposal of property, plant and equipment	(3)	6,470
Gain on deregistration of subsidiaries	(2,055)	–
Provision for compensation and cost for legal cases	1,516	1,527
	<u>7,498</u>	<u>127,671</u>

**8. FINANCE COSTS**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Continuing operation</b>		
Interest on leases liabilities	380	709
Interest on interest-bearing borrowings	3,040	3,299
Interest expenses to securities brokers	139	–
	<u>3,559</u>	<u>4,008</u>

## 9. LOSS FOR THE YEAR

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Continuing operation</b>		
Cost of inventories sold	220,588	205,738
Depreciation of property, plant and equipment	15,728	23,237
Depreciation of right-of-use assets	5,647	5,581
Auditor's remuneration:		
– Audit services	680	2,150
– Non-audit services	258	–
Provision of compensation and cost for legal cases	1,516	1,527
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	37,064	35,934
– reversal of provision for long service payment	–	(2)
– retirement benefits scheme contributions	879	1,706
	<b>37,943</b>	<b>37,638</b>

## 10. INCOME TAX (CREDIT)/EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Continuing operation</b>		
Current tax – PRC Enterprise Income Tax		
– Provision for the year	1,612	1,162
– Under-provision in prior years	52	1,442
Current tax – Hong Kong Profits Tax		
– Over-provision in prior years	(20)	–
	<b>1,644</b>	<b>2,604</b>
Deferred tax (credit)/charge	<b>(4,530)</b>	<b>2,502</b>
Income tax (credit)/expense	<b>(2,886)</b>	<b>5,106</b>

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

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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. DIVIDENDS

No final dividend was paid or proposed during the year (2019: Nil), nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period.

## 12. DISCONTINUED OPERATION

On 11 February 2020, being the date of expiration of the License, the board of directors decided not to renew the License. The non-renewal of the License is consistent with the Group's long-term policy to focus its activities on the Group's other business. As a result of the expiration of the License, the board of directors is in the opinion that the Financial Services operation should be classified as the discontinued operation.

The result of the discontinued operation for the period/year, which have been included in the consolidated statement of profit or loss were as follows:

	<b>Period from 1 January 2020 to respective date of termination of the License HK\$'000</b>	<b>Year ended 31 December 2019 HK\$'000</b>
Revenue	6	543
Other income	159	535
Other gains and losses, net	(1,556)	(117,179)
Administrative expenses	(53)	(1,044)
	<hr/>	<hr/>
Loss before tax	(1,444)	(117,145)
Income tax expenses	-	-
	<hr/>	<hr/>
Loss for the period/year from discontinued operation attributable to owners of the Company	<b>(1,444)</b>	<b>(117,145)</b>
	<hr/> <hr/>	<hr/> <hr/>

Loss for the period/year from discontinued operation has been arrived at after charging:

	<b>Period from 1 January 2020 to respective date of termination of the License HK\$'000</b>	Year ended 31 December 2019 HK\$'000
Depreciation of property, plant and equipment	15	577
Staff costs (including directors' remuneration):		
– salaries, bonus and allowances	–	4
Exchange gain, net	–	3
Impairment loss recognised under expected credit loss model, net of reversal:		
– trade, bill and loan receivables	–	117,178
– deposits and other receivables	45	2
Loss on deregistration of subsidiaries	1,511	–
Expenses relating to short-term leases	–	140
	<u>          </u>	<u>          </u>

Cash flows of the discontinued operation for the period/year were as follows:

	<b>Period from 1 January 2020 to respective date of termination of the License HK\$'000</b>	Year ended 31 December 2019 HK\$'000
Net cash generated from operating activities	631	8,065
Net cash used in financing activities	<u>(653)</u>	<u>(8,467)</u>
Net cash outflow	<u>(22)</u>	<u>(402)</u>

### 13. LOSS PER SHARE

#### From continuing and discontinued operations

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss:</b>		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(18,827)</u>	<u>(283,995)</u>

	2020 '000	2019 '000 (Restated)

#### Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>172,350</u>	<u>143,975</u>
---	----------------	----------------

The weighted average number of ordinary shares for the year ended 31 December 2019 for the purposes of calculating basic and diluted loss per share have been adjusted for the capital reorganisation which took place on 23 November 2020.

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

#### From continuing operation

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share (loss for the year from continuing operation attributable to owners of the Company)	<u>(17,383)</u>	<u>(166,850)</u>

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted loss per share from continuing and discontinued operations respectively.

### From discontinued operation

The calculation of basic and diluted loss per share from discontinued operation attributable to owners of the Company are based on the following data:

	<b>Period from 1 January 2020 to respective date of termination of the License HK\$'000</b>	Year ended 31 December 2019 HK\$'000
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share (loss for the period/year from discontinued operation attributable to owners of the Company)	<b>(1,444)</b>	<b>(117,145)</b>

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted loss per share from continuing and discontinued operations respectively.

#### 14. TRADE, BILL AND LOAN RECEIVABLES

	<b>2020 HK\$'000</b>	2019 HK\$'000
Trade receivables from contracts with customers	<b>208,187</b>	143,282
Less: allowance for credit losses	<b>(69,744)</b>	(48,957)
Trade receivables (net of allowance for credit losses)	<b>138,443</b>	94,325
Bill receivables	<b>950</b>	334
Less: allowance for credit losses	<b>(27)</b>	(4)
Trade and bill receivables (net of allowance for credit losses)	<b>139,366</b>	94,655
Loan receivables	<b>129,141</b>	130,882
Less: allowance for credit losses	<b>(129,141)</b>	(130,141)
Loan receivables (net of allowance for credit losses)	<b>–</b>	741
Total trade, bill and loan receivables (net of allowance for credit losses)	<b>139,366</b>	95,396

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

**(a) Aging analysis**

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

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 3 months	<b>97,115</b>	78,966
4 to 6 months	<b>39,426</b>	6,325
7 to 12 months	<b>2,825</b>	6,964
Over 12 months	–	2,400
	<u>–</u>	<u>–</u>
	<b><u>139,366</u></b>	<b><u>94,655</u></b>

The aging analysis of loan receivables (net of allowance for credit losses), based on the date of inception or renewal for loans, is as follows:

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 3 months	–	–
4 to 6 months	–	–
7 to 12 months	–	741
	<u>–</u>	<u>741</u>
	<b><u>–</u></b>	<b><u>741</u></b>

## 15. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	55,692	51,735
4 to 6 months	18,169	14,322
7 to 12 months	1,911	–
Over 12 months	13,065	4,382
	<u>88,837</u>	<u>70,439</u>

The average credit terms received from suppliers of the Group is 30 days.

## 16. PLEDGED OF ASSETS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Buildings	57,645	43,794
Plant and machinery	29,538	26,592
Right-of-use assets	21,048	21,725
	<u>108,231</u>	<u>92,111</u>

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

## 17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the disclosure requirements in respect of the discontinued operation set out in note 12.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

Elite Partners CPA Limited (“**Elite Partners**”) has expressed qualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020, an extract of which is as follows:

### **QUALIFIED OPINION**

In our opinion, except for the possible effects on the corresponding figures 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 2020, 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**

We have not obtained sufficient and appropriate audit evidence to satisfy ourselves as to whether the impairment loss of loan receivables of approximately HK\$117,178,000 recognised in the consolidated profit or loss for the year ended 31 December 2019 should be recognised in that year.

#### **Prepayment, deposits and other receivables**

We have not obtained sufficient and appropriate audit evidence to satisfy ourselves as to whether the impairment loss of deposits paid for acquisition of subsidiaries of approximately HK\$100,000,000 recognised in the consolidated profit or loss for the year ended 31 December 2019 should be recognised in that year.

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

## **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 FY2020 was HK\$384,960,000 compared with HK\$356,409,000 reported last year, which increased by approximately 8%. The increase in revenue for the year was mainly attributable to the increase in sales volume of PHC piles.

#### **Other gains and losses, net**

Other gains and losses, net for FY2020 amounted to HK\$7,498,000 (FY2019: HK\$127,671,000), represented a decrease of HK\$120,173,000. Such decrease was mainly due to the significant decrease of impairment loss recognised under expected credit loss model of approximately HK\$105 million as compared to the corresponding year and unrealised gain of approximately HK\$7 million arising on change in fair value of financial assets at fair value through profit or loss was recognised during the current year.

#### **Administrative expenses**

Administrative expenses for FY2020 amounted to HK\$29,371,000 (FY2019: HK\$44,539,000), representing a decrease of 34%, which was mainly due to the decrease in Hong Kong staff costs, auditor’s remuneration and legal and professional fees.

## **Discontinued operation**

Financial services operation was discontinued during the year ended 31 December 2020.

Loss for the period/year from discontinued operation was HK\$1,444,000 for current year compared with HK\$117,145,000 reported in FY2019. Loss for the period/year from discontinued operation decreased by 99% was mainly due to absence of impairment loss recognised of approximately HK\$117 million in respect of loan receivables during FY2019.

## **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 2020, equity attributable to owners of the Company was HK\$199,977,000, representing an increase of approximately 10% over last year. As at 31 December 2020, the Group's cash and cash equivalents stood at HK\$12,985,000 whereas interest-bearing borrowings were HK\$41,257,000. The annual interest rates of the borrowings for FY2020 ranged from 4.35% to 7.5% 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 72% as at 31 December 2020.

## **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 2020, 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, in view of the on-going legal proceedings mentioned under the paragraph headed "Contingent Liabilities" and "Legal Proceedings" in this announcement, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

## Shares allotment

### *2019 Allotment*

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 (“**2019 Subscription**”). The share allotment was completed on 27 March 2019 and the net proceeds of approximately HK\$16.7 million, representing a net price of approximately HK\$0.134 per subscription share, raised from the 2019 Subscription (“**2019 Net Proceeds**”) would be used for general working capital purposes. As at 31 March 2020, 2019 Net Proceeds had been fully used for general working capital purposes set out as follows:

<b>Actual usage of the 2019 Net Proceeds</b>	<b>Approximately Amount (HK\$ million)</b>
Group’s rental related expenses	4.8
Staff and directors’ remuneration	2.9
Legal and professional fees	7.9
Administration related expenses	1.1
	<hr/>
Total	16.7
	<hr/> <hr/>

### *2020 Allotment*

On 29 November 2019, the Company entered into a subscription agreement with Wealthy Port Holdings Limited (“**Wealthy Port**”), the then substantial shareholder of the Company, which is beneficially owned by Mr. Chim Sai Yau, Oscar, a former 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 (“**2020 Subscription**”). The share allotment was completed on 30 March 2020 and the net proceeds of approximately HK\$13.9 million, representing a net price of approximately HK\$0.093 per subscription share, raised from the 2020 Subscription (“**2020 Net Proceeds**”) would be used for general working capital purposes.

During the nine months ended 31 December 2020, the 2020 Net Proceeds was utilised as follows:

<b>Intended usage of the 2020 Net Proceeds</b>	<b>Estimated amount (HK\$ million)</b>	<b>Actual usage as at 31 December 2020 (HK\$ million)</b>
Group's rental related expenses	4.0	4.0
Staff and directors' remuneration	3.0	3.0
Legal and professional fees	5.0	4.2
Administration related expenses	1.9	1.3
<b>Total</b>	<b>13.9</b>	<b>12.5</b>

The Company expects that the remaining 2020 Net Proceeds in the amount of HK\$1.4 million from the 2020 Subscription shall be fully utilised in accordance with the intended usage during the first quarter of 2021.

### **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, lapsed or cancelled during the years ended 31 December 2020 and 2019.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had approximately 428 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 2020 and 31 December 2019.

## **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 16 March 2021 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 and announcement dated 12 August 2020 in relation to clarification on audited annual results announcement, despite the issue of legal demand letters in August 2019, the six borrowers (and their guarantors, if applicable) (the "**Loan Debtors**") who are independent third parties have failed to settle any outstanding loans and interests. As a result, Sunway Financial Management Limited has taken the following legal proceedings against the Loan Debtors:

#### (a) *Huali Capital*

In respect of the loan advanced to Huali Capital (a company registered in Hong Kong), which was guaranteed by Tailor Wealth Group Limited ("**Tailor Wealth**"), a Writ of Summons against Huali Capital had been issued in the High Court of Hong Kong under the action no. HCA 746/2020 on 21 May 2020 and had been served upon Huali Capital at its registered office on 1 June 2020. Gallant Solicitors and Notaries ("**Gallant**"), solicitors for the Company, had obtained judgment in default on 18 August 2020 (the "**Judgment**"). Since Huali Capital had failed to satisfy the Judgment, a statutory demand was served on Huali Capital on 7 October 2020. The Company filed a petition for winding up against Huali on 18 November 2020. An Order for winding up by the Court was made on 17 February 2021 and it is ordered that Huali be wound up.

In respect of the guarantor Tailor Wealth (a company registered in the British Virgin Islands ("**BVI**")), 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. A Winding Up Order was made on 18 January 2021 and it was ordered that Tailor Wealth be liquidated by the Court.

#### (b) *Mei Rui*

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

(c) ***Shenzhen Siping***

In respect of the loan advanced to Shenzhen Siping (a company incorporated in Mainland China), legal advice had been obtained from a legal firm in the Mainland China namely Zhuoxin Law Firm. The legal actions against Shenzhen Siping for the recovery of outstanding loan receivables had been commenced in August 2020. It is now waiting for Zhuoxin Law Firm to provide updates regarding the progress of the legal action.

(d) ***Fuzhou Xufa***

In respect of the loan advanced to Fuzhou Xufa (a company incorporated in Mainland China), legal advice had been obtained from a legal firm in the Mainland China, namely Zhuoxin Law Firm, to commence legal actions against Fuzhou Xufa for the recovery of outstanding loan receivables. Subsequently HK\$1 million had been received from Fuzhou Xufa, and the parties had reached an agreement to withdraw the PRC legal action for further negotiation. However, final settlement has not been reached yet due to lasting travel restrictions. Meanwhile, application for refund of half of the costs of the legal action from the Mainland Court is being under progress.

(e) ***Charmate***

In respect of the loans advanced to Charmate (a company registered in the BVI) which were guaranteed by Mr. Chen Zhiguo, legal advice had been obtained from a BVI legal firm, namely Appleby, to take legal action against Charmate. Mr. Matthew Richardson and Mr. David Bennett had been appointed as joint liquidators. A Winding Up Order was made on 18 January 2021 and it was ordered that Charmate be liquidated by the Court.

In respect of the guarantor Mr. Chen Zhiguo (being a Chinese national), legal advice had been obtained from Ms. Vivien Leung, a barrister practising in Hong Kong, that it is permissible to commence legal action against Mr. Chen as the guarantor only (i.e. without joining Charmate in the legal action) to recover the indebtedness under Hong Kong laws. The notarized Hong Kong Legal Opinion, Statement of Claim and the List of Evidence were sent to a legal firm in the Mainland China, namely Zhuoxin Law Firm, to commence legal action against Mr. Chen in the Mainland Court.

(f) *Fuzhou Dongye*

In respect of the loan advanced to Fuzhou Dongye and the subsequent assignment of loan to 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 has been noted that Sky Long is the holding company of Tailor Wealth which is the holding company of Huali. Since winding up and enforcement actions have been taken against Tailor Wealth and Huali, actions will be taken against Sky Long after the result of the liquidation of Tailor Wealth in the BVI and Huali in Hong Kong in order to save costs.

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

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

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

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

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

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

Meanwhile, a bill of indictment had been sent to the Vendor and the legal proceedings are still in progress. As advised by the Company's PRC Counsel, the trial has commenced on 23 February 2021. It is now waiting for the final judgement which may take 1 to 2 months for the Court to deliver the judgment. Upon service of the judgment, the losing party has the right to lodge an appeal within 30 days from the date of service. In the event of not lodging any appeal, the winning party may enforce the judgment if the judgment sum is not paid by the losing party.

### **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 2019 in relation to the civil complaints involving Zhuhai Hoston, an indirectly owned (95%) subsidiary of the Company.

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 impounded, for the three years from 27 July 2017 to 27 July 2020, by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016. As at the date this announcement, the share impoundment has expired and become invalid.

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**

Although the Sino-US trade war has been ongoing since 2018, the dispute has no material impact on the Group's operations. 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 24 February 2021, China has unveiled plans to build the country's strength in the transport sector over the next 15 years, setting long-term goals for the industry, with the aim of developing a modern, high-quality and comprehensive national transport network. By 2035, the country's transport network should be convenient, cost-effective, green, intelligent and safe. Among them, there will be about 200,000 km of railways, 460,000 km of highways and 25,000 km of high-grade waterways, with 27 major coastal ports, 36 major inland ports, about 400 civil-transport airports and about 80 postal express-delivery hubs.

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

#### **UPDATES ON DIRECTOR'S INFORMATION**

Upon specific enquiry by the Company and following confirmations from the Directors, 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. Chan Sung Wai had retired as a non-executive Director with effect from the conclusion of the annual general meeting, as held on 17 December 2020, of Champion Technology Holdings Limited (Stock Code: 0092), 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 2020 and as at the date of this announcement, except for the following deviations:

- (a) under the Code provision A.4.2, “all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after appointment”. As the progress of the circular dated 29 February 2020 on connected transaction in relation to the subscription of new shares under specific mandate (the “**Subscription**”) and notice of special general meeting had been delayed, the management planned to focus the attention on the completion of the Subscription leaving the re-election of newly appointed directors to be handled in the coming annual general meeting (the “**AGM**”).

It is because Bye-law 109 of the Company provided “if at any general meeting at which an election of Directors ought to take place, the places of the retiring Directors are not filled, the retiring Directors or such of them as have not had their places filled shall be deemed to have been re-elected and shall, if willing, continue in office until the next annual general meeting”. As such, the re-election of the Directors at the AGM was still in compliance with the Company’s Bye-laws.

- (b) under the Code provision E.1.2, “the Chairman of the Board should attend the annual general meeting”. Mr. Chim Sai Yau, Oscar, who had another engagement, was unable to attend the AGM on 30 June 2020. Nevertheless, Mr. Law Chun Choi, the executive Director, attended the said AGM to respond to queries from shareholders.
- (c) insufficient number of independent non-executive directors

Following the resignation of Mr. Tong Leung Sang on 1 January 2021 and prior to the effective date of the appointment of Mr. Yu Shui Sang Bernard (“Mr. Yu”) on 4 January 2021, the Board comprised two independent non-executive Directors, and therefore the Company failed to meet the requirements of having:

- (i) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules;
- (ii) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules;

- (iii) the Remuneration Committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and
- (iv) the Nomination Committee comprising a majority of independent non-executive directors under Code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

After the appointment of Mr. Yu which came into effect on 4 January 2021, the Company had re-complied with all the above requirements.

#### **AUDIT COMMITTEE**

The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2020.

#### **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 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Elite Partners, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Elite Partners 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 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 2020 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, 26 March 2021

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Fok Po Tin, 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. Yu Shui Sang Bernard and Mr. Chan Sung Wai.*

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

*\* For identification purpose only*