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SUNWAY INTERNATIONAL HOLDINGS LIMITED

新威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

HKEX stock code: 58

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2014

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Sunway International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2014 (the “period”), together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Notes	(UNAUDITED)	
		Six months ended 31 March	
		2014	2013
		HK\$'000	HK\$'000
Revenue	2	349,824	377,689
Cost of sales		(416,302)	(406,853)
Gross loss		(66,478)	(29,164)
Other income		15,640	7,214
Selling and distribution expenses		(3,990)	(5,348)
Administrative expenses		(44,141)	(45,300)
Other operating expenses		(5,550)	(110)
Finance costs		(12,214)	(16,871)
Share of gain/(loss) of a jointly-controlled entity		13	(628)
Loss before tax	3	(116,720)	(90,207)
Income tax expenses	4	(2,887)	(3,123)
Loss for the period attributable to equity holders of the parent		(119,607)	(93,330)
Interim dividend	5	Nil	Nil
Loss per share attributable to ordinary equity holders of the parent	6		
Basic		(12 cents)	(9 cents)
Diluted		(11 cents)	(9 cents)

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	(UNAUDITED)	
	Six months ended 31 March	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(119,607)	(93,330)
Other comprehensive (loss)/income:		
Items may be reclassified to the consolidated income statement in subsequent periods:		
Exchange differences on translation of foreign operations	(570)	6,372
Change in fair value of available-for-sale investment	(43)	797
Loss on disposal of available-for-sale investment	255	–
	<hr/>	<hr/>
Other comprehensive (loss)/income for the period, net of tax	(358)	7,169
	<hr/>	<hr/>
Total comprehensive loss for the period attributable to equity holders of the parent	<u>(119,965)</u>	<u>(86,161)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) 31 March 2014 <i>Notes</i> <i>HK\$'000</i>	(AUDITED) 30 September 2013 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	394,795	430,152
Investment properties	91,266	91,432
Prepaid land lease payments	72,201	67,281
Interest in a jointly-controlled entity	2,080	2,072
Available-for-sale investment	1,100	2,373
Deposits paid for acquisition of property, plant and equipment	729	731
	562,171	594,041
TOTAL non-current assets		
	562,171	594,041
CURRENT ASSETS		
Inventories	198,438	251,140
Trade receivables	7 194,926	205,478
Prepayments, deposits and other receivables	26,766	21,113
Cash and cash equivalents	106,618	148,055
	526,748	625,786
TOTAL current assets		
	526,748	625,786
CURRENT LIABILITIES		
Trade payables	8 110,181	121,330
Other payables and accruals	69,173	69,484
Due to a director	41,310	5,908
Interest-bearing bank borrowings	443,623	325,535
Tax payable	29,717	29,786
	694,004	552,043
TOTAL current liabilities		
	694,004	552,043
NET CURRENT (LIABILITIES)/ASSETS		
	(167,256)	73,743
TOTAL ASSETS LESS CURRENT LIABILITIES		
	394,915	667,784
NON-CURRENT LIABILITIES		
Deferred tax liabilities	56,176	56,245
Provision for long service payment	612	689
Other borrowing	–	154,377
	56,788	211,311
TOTAL non-current liabilities		
	56,788	211,311
NET ASSETS		
	338,127	456,473
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Issued capital	101,600	101,600
Reserves	236,527	354,873
	338,127	456,473
TOTAL equity		
	338,127	456,473

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 31 March 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by The Hong Kong Institution of Certified Public Accountants (“HKICPA”).

The accounting policies used in preparation of these financial statements are consistent with those adopted in the Group’s Annual Report for the year ended 30 September 2013, except for adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) which are first effective for the current accounting period.

The Group had net current liabilities of approximately HK\$167,256,000 as at 31 March 2014 of which current liabilities of approximately HK\$443,623,000 were attributable to bank borrowings due within one year. Taking into account the financial resources of the Group, including the Group unutilized banking facilities, the Group’s ability to renew or refinance the banking facilities upon maturity and financial support from the ultimate major shareholder of the Company, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations they fall due for at least the next twelve months from the end of the reporting period and accordingly, these financial statements have been prepared on a going concern basis.

1.2 Application of new and revised HKFRSs

In current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

HKFRS 1 Amendment	Government Loans
HKFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

The application of other new and revised HKFRS in the current period has no material effect on the amount reported in these financial statements and/or disclosures set out in these financial statements.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

1.2 Application of new and revised HKFRSs *(continued)*

The Group has not early applied any of the following new and revised HKFRSs that have been issued but are not yet effective for annual periods beginning on 1 October 2013:

HKFRS 9	Financial Instruments ⁴
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities ¹
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions ²
Annual Improvements Project	Annual Improvements 2010-2012 Cycle ²
Annual Improvements Project	Annual Improvements 2011-2013 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ To be determined.

The Group is in the process of making an assessment on the impact of application of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2. REVENUE AND SEGMENT INFORMATION

(a) Segment results, assets and liabilities

	Electronic components and parts		Consumer electronic products		Other businesses		Total	
	Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March	
	2014	2013	2014	2013	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue								
Revenue from external customers	<u>161,578</u>	<u>83,532</u>	<u>188,246</u>	<u>293,978</u>	<u>–</u>	<u>179</u>	<u>349,824</u>	<u>377,689</u>
Reportable segment (loss)/profit from operations	<u>(56,764)</u>	<u>(17,999)</u>	<u>(61,181)</u>	<u>(59,681)</u>	<u>–</u>	<u>2</u>	<u>(117,945)</u>	<u>(77,678)</u>
Reconciliation:								
Other income							15,640	7,214
Finance costs							(12,214)	(16,871)
Share of gain/(loss) of a jointly-controlled entity							13	(628)
Unallocated head office and corporate expenses							<u>(2,214)</u>	<u>(2,244)</u>
Loss before tax							<u>(116,720)</u>	<u>(90,207)</u>
Other segment information:								
Capital expenditure [#]	5,181	2,316	5,341	7,492	–	–	10,522	9,808
Amortisation of prepaid land lease payments*	466	218	480	706	–	–	946	924
Depreciation*	22,116	10,649	22,979	34,441	–	339	45,095	45,429
Impairment of trade receivable, net*	2,635	–	2,660	–	–	–	5,295	–
Provision for inventories*	<u>16,996</u>	<u>–</u>	<u>17,491</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>34,487</u>	<u>–</u>

	Electronic components and parts		Consumer electronic products		Other businesses		Total	
	31 March	30 September	31 March	30 September	31 March	30 September	31 March	30 September
	2014	2013	2014	2013	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>391,208</u>	<u>255,793</u>	<u>413,270</u>	<u>642,418</u>	<u>–</u>	<u>–</u>	<u>804,478</u>	<u>898,211</u>
Segment liabilities	<u>55,212</u>	<u>31,576</u>	<u>74,233</u>	<u>98,599</u>	<u>–</u>	<u>–</u>	<u>129,445</u>	<u>130,175</u>

Capital expenditure consists of additions to property, plant and equipment.

* Included in the “Reportable segment (loss)/profit from operations” disclosed above.

2. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Reconciliation of reportable assets and liabilities

	31 March 2014 HK\$'000	30 September 2013 HK\$'000
Assets		
Total reportable segment assets	<u>804,478</u>	<u>898,211</u>
Available-for-sale investment	1,100	2,373
Cash and cash equivalents	106,618	148,055
Interest in a jointly-controlled entity	2,080	2,072
Unallocated head office and corporate assets	<u>174,643</u>	<u>169,116</u>
Consolidated total assets	<u>1,088,919</u>	<u>1,219,827</u>
Liabilities		
Total reportable segment liabilities	<u>129,445</u>	<u>130,175</u>
Bank loans	437,155	323,718
Other borrowing	–	154,377
Deferred tax liabilities	29,717	29,786
Tax payable	56,176	56,245
Unallocated head office and corporate liabilities	<u>98,299</u>	<u>69,053</u>
Consolidated total liabilities	<u>750,792</u>	<u>763,354</u>

2. REVENUE AND SEGMENT INFORMATION (continued)

(c) Geographic information

The geographical location of revenue information is based on the location of customers at which the services were provided or the goods delivered. The Group's non-current assets are based on the location of the assets and excludes interest in a jointly-controlled entity, available-for-sale investment and deposits paid for acquisition of property, plant and equipment.

	Hong Kong		PRC		Other Asian countries*		American countries**		European countries***		African countries****		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 March		31 March		31 March		31 March		31 March		31 March		31 March	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers	11,817	9,467	73,473	121,586	73,959	119,620	169,333	87,432	14,228	28,227	7,014	11,357	349,824	377,689
		30		30		30		30		30		30		30
	31 March	September	31 March	September	31 March	September	31 March	September	31 March	September	31 March	September	31 March	September
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets *****	31,434	31,720	526,828	557,145	-	-	-	-	-	-	-	-	558,262	588,865

* Other Asian countries principally included Indonesia, Japan, Korea, Taiwan and Pakistan.

** American countries principally included the United States, Chile, Peru, Argentina, Mexico and Brazil.

*** European countries principally included Poland, Spain, France, Germany and England.

**** African countries principally included Lagos, Nigeria, Kenya and Egypt.

***** Non-current assets information above is based on the location of assets and excluded available-for-sale investment, interest in a jointly-controlled entity and deposits paid for acquisition of property, plant and equipment.

(d) Information about major customers

There was no single customer individually contributed over 10% of the Group's total revenue during the period. (2013: Nil)

3. LOSS BEFORE TAX

	Six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
The Group's loss before tax is arrived at after charging/(crediting):		
Cost of inventories sold*	336,075	360,839
Depreciation	45,095	45,429
Amortisation of prepaid land lease payments*	946	924
Provision for inventories*	34,487	–
Foreign exchange difference, net	(707)	(1,878)
Impairment of trade receivables, net [#]	5,295	–
Loss on disposal of available-for-sale investment [#]	255	–
Employee benefits expense (including directors' emoluments):		
Pension scheme contributions	4,690	5,315
Reversal of provision for long service payment	(77)	(87)
Equity-settled share-based payments expenses	1,618	1,986
Salaries, wages and allowances	67,063	87,647
	<u>73,294</u>	<u>94,861</u>

* These items are included in "cost of sales" in the consolidated income statement.

[#] These items are included in "other operating expenses" in the consolidated income statement.

4. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period. Subsidiaries established in PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2013: 25%).

	Six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Current tax – PRC		
Charge for the period	2,887	3,123
	<u>2,887</u>	<u>3,123</u>

5. INTERIM DIVIDEND

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2013: HK\$Nil).

6. LOSS PER SHARE

The calculation of basic loss per share amount is based on the loss for the period attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The calculation of basic and diluted loss per share are based on:

	Six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Loss:		
Loss for the period attributable to equity holders of the parent	119,607	93,330
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,016,001	1,016,001
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period	29,498	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	1,045,499	1,016,001
Basic loss per share	(12 cents)	(9 cents)
Diluted loss per share	(11 cents)	(9 cents)

The Company had no dilutive potential ordinary shares in existence for the six months ended 31 March 2013 since the average market price of ordinary shares during the period exceeds the exercise price of the share options.

7. TRADE RECEIVABLES

	31 March 2014 HK\$'000	30 September 2013 HK\$'000
Trade receivables	220,960	226,296
Impairment	(26,034)	(20,818)
	194,926	205,478

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. The credit period is generally for a period of three months from the date of billing, except for certain well-established customers, where the terms are extended to six months. The Group seeks to maintain strict control over its receivables to minimise credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	31 March 2014 HK\$'000	30 September 2013 HK\$'000
Within 3 months	140,266	100,757
4 to 6 months	49,616	75,475
Over 7 months	5,044	29,246
	194,926	205,478

8. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on invoice date as at the end of the reporting period:

	31 March 2014 HK\$'000	30 September 2013 HK\$'000
Within 3 months	74,163	71,656
4 to 6 months	25,717	34,910
7 to 12 months	5,084	7,683
Over 1 year	5,217	7,081
	110,181	121,330

The trade payables are non-interest bearing and average credit period on purchases is 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

9. SUBSEQUENT EVENT

Completion of the acquisition of construction material business took place on 2 May 2014 in accordance with the terms of the Sale and Purchase Agreement. Convertible Notes in an aggregate principal amount of HK\$300,000,000, a post-dated cheque of HK\$150,000,000 falling due after 18 months and a Promissory Note of HK\$100,000,000 were duly issued accordingly.

Following Completion, Joint Expert Global Limited has become a wholly-owned subsidiary of the Company.

For further details of the acquisition, please refer to the circular of the Company dated 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATION

Turnover of the Group for the period ended 31 March 2014 dropped by HK\$27,865,000 or 7.4% to HK\$349,824,000, compared to HK\$377,689,000 reported last period. As a result of provision for inventories of HK\$34,487,000 made, gross loss was further deteriorated to HK\$66,478,000 from HK\$29,164,000 reported last period. Gross loss margin dropped from 7.7% to 19.0% this period.

Consumer electronic products

Consumer electronic products mainly consist of electronic calculators, watches and clocks and digital products and their respective revenue for the period were HK\$115,146,000, HK\$33,693,000 and HK\$33,137,000. It remained the largest business segment of the Group during the period and represented 53.8% of the Group's turnover. Aggregated revenue for the period was HK\$188,246,000 compared with HK\$293,978,000 last period, represented a significant decrease of HK\$105,732,000 or 36.0%. The decrease was mainly driven by the drop of revenue from electronic calculators. Shortage of labour in the PRC caused significant delay on the production lead time and thus, sales volume dropped.

Electronic components and parts

Electronic components and parts mainly comprised of Liquid Crystal Displays ("LCD"), Chip On Glass ("COG") and Quartz and their respective revenue for the period were HK\$72,877,000, HK\$80,544,000 and HK\$7,811,000. Aggregated revenue for the period increased significantly by HK\$78,046,000 or 93.4% from HK\$83,532,000 in the same period last year to HK\$161,578,000. This segment has accounted for 46.2% of the Group's revenue. Both LCD and COG boosted up the revenue of this segment. The increase was mainly due to the launchment of bigger size of LCD and COG for tablet with higher selling price.

North/South America countries were the largest market for the period which contributed 48.4% of the Group's turnover.

Net loss of the Group was HK\$119,607,000 in the current period compared with HK\$93,330,000. Further deteriorate of the net loss was mainly arising from the provision for inventories.

Selling and distribution expenses mainly consisted of transportation expenses and branch office expenses. It decreased by HK\$1,358,000 or 25.4% from HK\$5,348,000 last period to HK\$3,990,000 this period.

General and administrative expenses were fairly consistent with last period. It was HK\$44,141,000 compared to HK\$45,300,000 last period. It mainly represented administrative staff costs, directors' remuneration, legal and professional fees and various taxes paid to the PRC Government.

Finance costs were HK\$12,214,000, compared to HK\$16,871,000 last period. Decrease of finance costs by HK\$4,657,000 or 27.6% was in line with the bank borrowings level in compare with the first half of last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group usually finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and the PRC. As at 31 March 2014, the total shareholders' equity of the Group was HK\$338,127,000, a decrease of 25.9% over last year. The Group's cash and bank balances and time deposits stood at HK\$106,618,000 whereas bank loans were HK\$443,623,000. The gearing ratio, which was computed by dividing the current liabilities and long-term liabilities by shareholders' equity, was 2.2 times as at the end of the reporting period.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the period, the Group incurred HK\$10,522,000 on additions to construction in progress, plant and equipment to upgrade its manufacturing capacity.

CAPITAL STRUCTURE

No repurchases of shares were made during the period. On 2 November 2009, the Company granted share options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK\$0.1 per share each on or before 1 November 2019. At 31 March 2014, the number of shares in respect of which options had been granted and exercisable was 73,300,000. 3,000,000 share options were lapsed and no share options were exercised during the period.

PLEDGE OF ASSETS

The Group's certain leasehold land and buildings of HK\$112,431,000, prepaid land lease payments of HK\$25,135,000 and investment properties of HK\$91,266,000 are used to secure banking facilities for the Group.

APPLICATIONS OF PROCEEDS OF SHARE OFFER

The remaining balance of approximately HK\$65.4 million of the net proceeds raised from the share offer in 1999 has been allocated to the investment in the joint venture, Taiwan Communication (Fujian) Company Ltd. As progress of the projects as implemented by Taiwan Communication (Fujian) Company Ltd proceeded at a slower pace than anticipated, the Directors are considering allocating part of such proceeds to other investment opportunities. If any specific targets are identified, the Directors will make announcement in accordance with the applicable rules.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2014, the Group has approximately 3,400 full time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

FOREIGN EXCHANGE AND CURRENCY RISKS

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB"), United States Dollars ("USD") 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 USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB against USD. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

CONTINGENT LIABILITIES

As at 31 March 2014, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to a subsidiary of the Company amounting to HK\$28,000,000 and such facilities were utilised to the extent of HK\$6,468,000.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PROSPECT

Completion of the acquisition of the construction material business in the PRC took place on 2 May 2014. The target company, Joint Expert Global Limited became a wholly-owned subsidiary of the Company. We believe the acquisition provides an opportunity for the Group to turnaround its unfavorable financial performance and to generate diversified income and additional cash flow for its continuous development.

Following the PRC Government's policy of "moving forward while maintaining stability", continuing urbanization and anticipated investments in infrastructure and real estate are expected to be in place, which are key growth drivers for the construction material industry.

With the global economic conditions remaining unstable, we expect the negative impacts to continue in place on the electronics business and had been planning group restructuring to better allocate the Group's assets. We will consider to scale down certain loss-making electronics manufacturing businesses and dispose the existing assets. Preliminary discussions have been taken place but no terms and conditions have been agreed as at the date thereof.

Insufficient labour supply and increasing cost of raw materials remain the major challenges to the performance of the electronics business. The Group remains conservative on the electronics business, implement cost control measures and streamline the operations to enhance the efficiency.

AUDIT COMMITTEE

The Audit Committee, comprises the three Independent Non-executive Directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters related to the preparation of the unaudited interim results for the period ended 31 March 2014.

REMUNERATION COMMITTEE

The Remuneration Committee, comprises the three Independent Non-executive Directors of the Company, the Chairman and Mr. Leung Chi Fai, the Finance Director of the Company, is responsible for reviewing and evaluating the remuneration packages of the Executive Directors and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The Nomination Committee comprises Ms. Wong King Ching, Helen, Ms. Wong King Man and Mr. Leung Chi Fai, the Executive Directors, and the three Independent Non-executive Directors of the Company. It is responsible for the appointment of new directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become directors when necessary. In evaluating whether an appointee is suitable to act as a director, the Committee will consider the experience, qualification and other relevant factors.

CORPORATE GOVERNANCE

Code On Corporate Governance Practices

The Company has complied with the code provisions as set out in the "Code On Corporate Governance Practices" contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 31 March 2014, except for the following deviations:

Code Provision A.2.1

Under Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

During the reporting period, Ms. Wong King Ching, Helen holds both positions of the Chairman and the Chief Executive Officer of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Ms. Wong to hold both positions as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations.

Code Provision A.4.1 and A.4.2

Under Code Provision A.4.1, the Non-executive Directors should be appointed for a specific term, subject to re-election.

The Independent Non-executive Directors of the Company are not appointed for specific terms. According to the Company's Bye-Law 111(A), one third of the Directors shall retire from the office by rotation at each Annual General Meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the Code.

Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's Bye-Law 111(A) states that the Chairman is not subject to retirement by rotation and shall not be counted in determining the number of directors to retire. In the opinion of the Board, the continuity of leadership role of the Chairman is important for the stability of the Company and is considered beneficial to the growth of the Company. The Board is of the view that the Chairman should not be subject to retirement by rotation at the present time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirms that all directors of the Company have complied with required standard set out in the Model Code for the period under review.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement and the Interim Report are published on the website of Hong Kong Stock Exchange at www.hkex.com.hk and the website at www.irasia.com/listco/hk/sunway/index.htm.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of the Company comprises:

Executive Directors:

Wong King Ching, Helen
Wong King Man
Leung Chi Fai
Lin Yegan
Wang Tian

Independent Non-executive Directors:

Fong Yin Cheung
Hung Yat Ming
So Day Wing

By Order of the Board of
Sunway International Holdings Limited
Wong King Ching, Helen
Chairman

Hong Kong, 29 May 2014