



SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058

Interim Report
2007/2008

3117099 933/1331

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 2008 (the "Period"), together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | (UNAUDITED) | |
|--|-------|---------------------------|------------------|
| | | Six months ended 31 March | |
| | Notes | 2008 HK\$'000 | 2007 HK\$'000 |
| Turnover | 2 | 458,781 | 513,476 |
| Cost of sales | | (434,709) | (483,922) |
| Gross profit | | 24,072 | 29,554 |
| Other revenue and gains | | 6,572 | 6,214 |
| Selling and distribution costs | | (3,989) | (3,701) |
| Administrative expenses | | (22,040) | (21,748) |
| Other operating income | | 2,278 | 299 |
| Profit from operating activities | 3 | 6,893 | 10,618 |
| Finance costs | 4 | (3,632) | (873) |
| Share of (loss)/profit of a jointly-controlled entity | | (47) | 1,093 |
| Profit before tax | | 3,214 | 10,838 |
| Tax | 5 | (1,134) | (1,438) |
| Profit for the period attributable to equity holders of the parent | | 2,080 | 9,400 |
| Interim dividend | 6 | Nil | Nil |
| Earnings per share attributable to ordinary equity holders of the parent | 7 | | |
| – Basic | | 0.20 cents | 0.93 cents |
| – Diluted | | N/A | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | (UNAUDITED) 31 March 2008 HK\$'000 | (AUDITED) 30 September 2007 HK\$'000 |
|--|----|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 416,339 | 421,712 |
| Investment properties | | 41,594 | 39,270 |
| Prepaid land lease payments | | 75,747 | 66,858 |
| Interest in a jointly-controlled entity | | 16,565 | 15,336 |
| Deferred tax assets | | 2,130 | 2,004 |
| Deposits paid for acquisition of prepaid land lease payments and property, plant and equipment | | 6,155 | 6,155 |
| | | 558,530 | 551,335 |
| CURRENT ASSETS | | | |
| Inventories | | 409,116 | 332,208 |
| Accounts receivable | 9 | 175,983 | 234,012 |
| Prepayments, deposits and other receivables | | 64,742 | 70,136 |
| Derivative financial instruments | | 8,142 | 7,547 |
| Due from a related company | | 6,251 | 6,311 |
| Due from a jointly-controlled entity | | 6,472 | 6,090 |
| Tax recoverable | | 80 | 80 |
| Pledged time deposits | | 3,306 | 3,265 |
| Cash and cash equivalents | | 141,560 | 74,642 |
| | | 815,652 | 734,291 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 10 | 98,738 | 87,827 |
| Accrued liabilities and other payables | | 29,460 | 28,733 |
| Interest-bearing bank borrowings | | 158,692 | 132,621 |
| Dividend payable | | 10,160 | - |
| Tax payable | | 36,361 | 34,196 |
| | | 333,411 | 283,377 |
| NET CURRENT ASSETS | | 482,241 | 450,914 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,040,771 | 1,002,249 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 6,889 | 6,428 |
| | | 1,033,882 | 995,821 |
| CAPITAL AND RESERVES | | | |
| Issued capital | 11 | 101,600 | 101,600 |
| Reserves | | 932,282 | 884,061 |
| Proposed final dividend | | - | 10,160 |
| | | 1,033,882 | 995,821 |

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY – UNAUDITED

| | Share capital | Share premium account | Contributed surplus | Capital redemption reserve | Revaluation reserve | Exchange fluctuation reserve | Reserve fund | Retained profits | Total |
|---|----------------|-----------------------|---------------------|----------------------------|---------------------|------------------------------|---------------|------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 October 2006 | 101,600 | 177,325 | 56,471 | 509 | 44,181 | 20,052 | 12,176 | 501,973 | 914,287 |
| Exchange realignment on translation of the financial statements of foreign subsidiaries | - | - | - | - | - | 67,956 | - | - | 67,956 |
| Transfer from retained profits | - | - | - | - | - | - | 752 | (752) | - |
| Profit for the year | - | - | - | - | - | - | - | 13,578 | 13,578 |
| Proposed final 2007 dividend | - | - | - | - | - | - | - | (10,160) | (10,160) |
| At 30 September 2007 and 1 October 2007 | 101,600 | 177,325 | 56,471 | 509 | 44,181 | 88,008 | 12,928 | 504,639 | 985,661 |
| Exchange realignment on translation of the financial statements of foreign subsidiaries | - | - | - | - | - | 46,141 | - | - | 46,141 |
| Net profit for the period | - | - | - | - | - | - | - | 2,080 | 2,080 |
| At 31 March 2008 | 101,600 | 177,325 | 56,471 | 509 | 44,181 | 134,149 | 12,928 | 506,719 | 1,033,882 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(UNAUDITED)

Six months ended 31 March

| | 2008 HK\$'000 | 2007 HK\$'000 |
|--|------------------|------------------|
| Net cash from operating activities | 89,809 | 14,023 |
| Net cash used in investing activities | (40,267) | (13,545) |
| Net cash from financing activities | 17,417 | 15,754 |
| Increase in cash and cash equivalents | 66,959 | 16,232 |
| Cash and cash equivalents at beginning of period | 77,907 | 186,666 |
| Cash and cash equivalents at end of period | 144,866 | 202,898 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 141,560 | 199,676 |
| Time deposits with original maturity of less than three months when acquired, pledged as security for trust receipt loans facilities | 3,306 | 3,222 |
| | 144,866 | 202,898 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal accounting policies and basis of preparation

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA") and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

The basis of preparation and accounting policies adopted in preparing these condensed financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 30 September 2007.

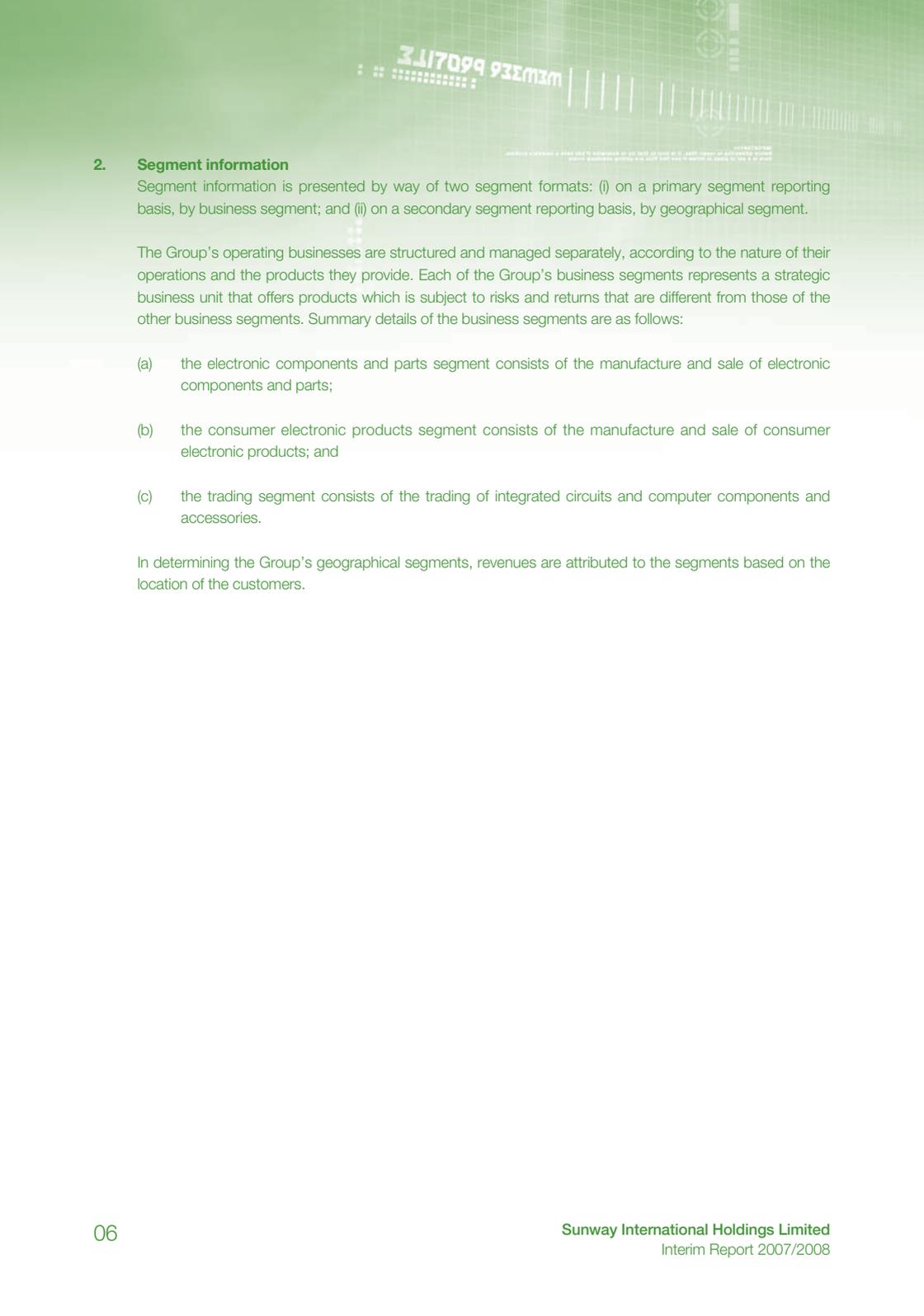
In the current period, the Group has applied, for the first time, a number of new HKAS, Hong Kong Financial Reporting Standards ("HKFRS") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

| | |
|-------------------|--|
| HKFRS 8 | Operating segments |
| HKAS 23 (Revised) | Borrowing costs |
| HK(IFRIC)-Int 12 | Service concession arrangements |
| HK(IFRIC)-Int 13 | Customer loyalty programmes |
| HK(IFRIC)-Int 14 | The limit on a defined benefit asset, minimum funding requirements and their interaction |

Pursuant to Rule 220(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual, the financial statements of the Group, which have been prepared in accordance with SSAP and accounting principles generally accepted in Hong Kong, need to be reconciled to the International Accounting Standards ("IAS"). The Company had applied to the SGX-ST for, and the SGX-ST has on 11 June 2008 granted, a waiver to the Company from complying with the requirements of Rule 220(2) of the SGX-ST Listing Manual in respect of the financial statements of the Group for the period ended 31 March 2008. A reconciliation statement has not been prepared as both the audit committee and the board of directors of the Company are of the view that the application of the IAS would not have a material effect on the measurement and determination of the amounts of the Group's consolidated net assets at 31 March 2008 or its net profit from ordinary activities and cash flows for the period ended 31 March 2008.

Certain comparative figures have been reclassified to conform with the current period's presentation.



2. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which is subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the electronic components and parts segment consists of the manufacture and sale of electronic components and parts;
- (b) the consumer electronic products segment consists of the manufacture and sale of consumer electronic products; and
- (c) the trading segment consists of the trading of integrated circuits and computer components and accessories.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

(a) *Business segments*

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

Group (HK\$'000)

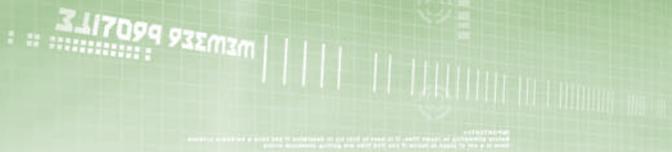
| | Electronic components and parts | | Consumer electronic products | | Trading of integrated circuits and computer components and accessories | | Consolidated | |
|--|---------------------------------|----------------|------------------------------|----------------|--|------------|---------------------------|----------------|
| | Six months ended 31 March | | Six months ended 31 March | | Six months ended 31 March | | Six months ended 31 March | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Segment revenue: | | | | | | | | |
| Sales to external customers | 71,335 | 169,053 | 385,161 | 343,720 | 2,285 | 703 | 458,781 | 513,476 |
| Other revenue | 1,102 | 765 | 4,955 | 3,602 | 41 | 2 | 6,098 | 4,369 |
| Total | <u>72,437</u> | <u>169,818</u> | <u>390,116</u> | <u>347,322</u> | <u>2,326</u> | <u>705</u> | <u>464,879</u> | <u>517,845</u> |
| Segment results | <u>1,694</u> | <u>1,121</u> | <u>5,209</u> | <u>8,351</u> | <u>38</u> | <u>(2)</u> | <u>6,941</u> | <u>9,470</u> |
| Interest and unallocated other revenue and gains | | | | | | | 473 | 1,844 |
| Unallocated expenses | | | | | | | (521) | (696) |
| Profit from operating activities | | | | | | | 6,893 | 10,618 |
| Finance costs | | | | | | | (3,632) | (873) |
| Share of profit of a jointly-controlled entity | | | | | | | (47) | 1,093 |
| Profit before tax | | | | | | | 3,214 | 10,838 |
| Tax | | | | | | | (1,134) | (1,438) |
| Net profit from ordinary activities attributable to shareholders | | | | | | | <u>2,080</u> | <u>9,400</u> |

Group (HK\$'000)

| | Electronic components and parts | | Consumer electronic products | | Trading of integrated circuits and computer components and accessories | | Consolidated | |
|---|---------------------------------|-------------------|------------------------------|-------------------|--|-------------------|---------------|-------------------|
| | 31 March 2008 | 30 September 2007 | 31 March 2008 | 30 September 2007 | 31 March 2008 | 30 September 2007 | 31 March 2008 | 30 September 2007 |
| | Segment assets | 347,552 | 423,787 | 712,471 | 617,211 | 2,916 | 5,171 | 1,062,939 |
| Interest in a jointly-controlled entity | | | | | | | 23,037 | 21,426 |
| Unallocated assets | | | | | | | 288,206 | 218,031 |
| Total assets | | | | | | | 1,374,182 | 1,285,626 |
| Segment liabilities | 21,452 | 29,068 | 119,068 | 91,183 | 684 | 241 | 141,204 | 120,492 |
| Unallocated liabilities | | | | | | | 199,096 | 169,313 |
| Total liabilities | | | | | | | 340,300 | 289,805 |

Other segment information:

| | Electronic components and parts | | Consumer electronic products | | Trading of integrated circuits and computer components and accessories | | Consolidated | |
|---------------------------|---------------------------------|--------|--------------------------------|-------|--|------|--------------------------------|--------|
| | Six months ended 31 March 2008 | 2007 | Six months ended 31 March 2008 | 2007 | Six months ended 31 March 2008 | 2007 | Six months ended 31 March 2008 | 2007 |
| | Depreciation | 15,898 | 14,459 | 9,212 | 7,290 | - | - | 25,110 |
| Unallocated amounts | | | | | | | 349 | 628 |
| Total depreciation | | | | | | | 25,459 | 22,377 |
| Capital expenditure | 1,594 | 1,601 | 8,340 | 5,497 | - | - | 9,934 | 7,098 |
| Unallocated amounts | | | | | | | 382 | 199 |
| Total capital expenditure | | | | | | | 10,316 | 7,297 |



(b) *Geographical segments*

The following table presents revenue and certain expenditure information for the Group's geographical segments.

Group (HK\$'000)

| | Hong Kong | | Mainland China | | 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 | 2007 | 31 March | 2007 | 31 March | 2007 | 31 March | 2007 | 31 March | 2007 | 31 March | 2007 | 31 March | 2007 |
| Segment revenue: | | | | | | | | | | | | | | |
| Sales to external customers | 30,284 | 123,412 | 77,553 | 75,492 | 79,416 | 75,789 | 126,480 | 109,800 | 95,588 | 81,298 | 49,460 | 47,685 | 458,781 | 513,476 |
| Other segment information: | | | | | | | | | | | | | | |
| Capital expenditure | 0 | 199 | 10,316 | 7,098 | - | - | - | - | - | - | - | - | 10,316 | 7,297 |

3. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

| | Six months ended 31 March | |
|---|---------------------------|----------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Cost of inventories sold | 434,709 | 483,922 |
| Depreciation | 25,459 | 22,377 |
| Recognition of prepaid land lease payment | 496 | 413 |
| Staff costs (including directors' remuneration) | 110,522 | 89,078 |

4. Finance costs

| | Six months ended 31 March | |
|---|---------------------------|----------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans wholly repayable within five years | 3,632 | 873 |

5. Tax

| | Six months ended 31 March | |
|--|---------------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Provision for tax in respect of profit for the period: | | |
| Hong Kong | – | 3 |
| Mainland China | 1,095 | 1,304 |
| | 1,095 | 1,307 |
| Share of tax attributable to a jointly-controlled entity | 39 | 131 |
| | 1,134 | 1,438 |

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

The Group and the Company did not have any significant unprovided deferred tax liabilities as at 31 March 2008 (2007: Nil).

6. Interim dividend

The Board of the Company did not recommend any interim dividend for the six months ended 31 March 2008 (2007: Nil).

7. Earnings per share

The calculation of the basic earnings per share for the six months ended 31 March 2008 is based on the unaudited consolidated net profit from ordinary activities attributable to shareholders of HK\$2,080,000 (2007: HK\$9,400,000) and the weighted average number of 1,016,001,301 (2007: 1,016,001,301) ordinary shares in issue during the Period.

Diluted earnings per share for the current and last corresponding period have not been disclosed, as all share options outstanding during these periods had an anti-dilutive effect on the basic earnings per share for these periods.

8. Additions to fixed assets

During the Period, the Group spent approximately HK\$10,316,000 (2007: HK\$7,297,000) on additions to fixed assets to upgrade its manufacturing capabilities.

9. Accounts receivable

An aged analysis of the accounts receivable, based on invoice date, is as follows:

| | 31 March 2008 HK\$'000 | 30 September 2007 HK\$'000 |
|------------------------------------|---------------------------------------|----------------------------------|
| Current to 3 months | 132,869 | 186,765 |
| 4 to 6 months | 22,073 | 22,817 |
| 7 to 12 months | 18,471 | 19,729 |
| Over 1 year | 46,973 | 63,822 |
| | <hr/> | <hr/> |
| | 220,386 | 293,133 |
| Less: Provision for doubtful debts | (44,403) | (59,121) |
| | <hr/> | <hr/> |
| | 175,983 | 234,012 |
| | <hr/> | <hr/> |

Payment terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 90 days of issuance, except for certain well-established customers, where the terms are extended to six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

10. Accounts payable

An aged analysis of the accounts payable, based on invoice date, is as follows:

| | 31 March 2008 HK\$'000 | 30 September 2007 HK\$'000 |
|---------------------|---------------------------------------|----------------------------------|
| Current to 3 months | 75,308 | 79,333 |
| 4 to 6 months | 13,046 | 5,849 |
| 7 to 12 months | 8,278 | 606 |
| Over 1 year | 2,106 | 2,039 |
| | <hr/> | <hr/> |
| | 98,738 | 87,827 |
| | <hr/> | <hr/> |

11. Issued share capital

| | Number of shares issued | Par value HK\$'000 |
|---|----------------------------|-----------------------|
| As at 30 September 2007 and 31 March 2008 | <u>1,016,001,301</u> | <u>101,600</u> |

12. Related party transactions

During the Period, the Group sold finished goods amounting to HK\$3,792,000 (2007: HK\$5,304,000) to a company in which the spouse of Ms Wong Choi Kam (a director of the Company during the Period), is a director and controlling shareholder.

The sales to the related company were made according to the published prices and conditions offered to the major customers of the Group.

13. Contingent liabilities

Contingent liabilities of the Company at the balance sheet date were as follows:

| | 31 March 2008 HK\$'000 | 30 September 2007 HK\$'000 |
|---|---------------------------------------|----------------------------------|
| Guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries | <u>158,000</u> | <u>158,000</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Review of results and operation

For the six months ended 31 March 2008, the Group recorded a consolidated turnover of HK\$458,781,000, representing a decrease of 10.7% compared with HK\$513,476,000 in corresponding period last year.

Profit before tax for the period was HK\$3,214,000. The Group's gross profit for the period was HK\$24,072,000 with gross profit margin of 5.2% compared with the previous 5.8%. Net profit for the period was HK\$2,080,000, a decrease of 77.9% from HK\$9,400,000 in corresponding period last year.

Sales of electronic calculators was HK\$212,073,000, representing a growth of 6.5% compared with HK\$199,084,000 in previous corresponding period. It represented 46.2% of the Group's turnover for the period. The growth in sales was contributed by the launching of a wide range of high-end electronic calculators in the market. The Group produced its own brand high-end calculators as well as OEM ones. We expect that the demand for the high-end calculators products will continue to grow in the coming years.

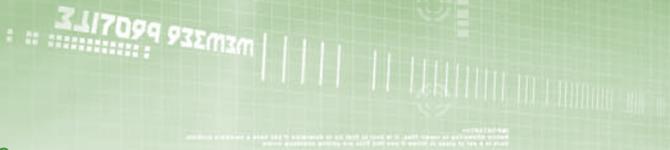
Turnover of telephone products amounted to HK\$106,904,000, increased by 63% compared with the previous corresponding period. It represented 23.3% of the Group's turnover for the period. The Group keeps launching new models of mobile telephones to the market during the period. As domestic consumption of telephone products is rising rapidly in Mainland China, we anticipate that the telephone segment will continue to generate growth in revenue in the future.

Revenue from electronic watches and clocks was HK\$66,184,000, dropped 16.3% from the previous corresponding period. It accounted for 14.4% of the Group's turnover.

Liquid crystal displays ("LCD") recorded a turnover of HK\$40,495,000, dropped 66.9% from the previous corresponding period. It represented 8.8% of the Group's turnover for the period. While manufacturing business of LCD remained rather stable, the decrease in turnover of LCD was due to the drop in the trading volume of TFT-LCD modules during the period.

Accounts receivable dropped by 25% with turnover days shortened to 140 days. The Group has executed tight control on accounts receivable and effective measures have been used to monitor the debtors' repayment time.

Finance costs were HK\$3,632,000 during the period due to the cost of financing of our investment projects in Mainland China.



Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and Mainland China. The Group maintains a strong financial position. As at 31 March 2008, the total shareholders' equity of the Group was approximately HK\$1,033,882,000, an increase of 3.8% of that at 30 September 2007. The Group's cash and cash equivalents and bank deposits stood at HK\$144,866,000. The interest-bearing bank borrowings of the Group amounted to HK\$158,692,000. During the period, the Group did not use any financial instruments for any hedging purposes. The Group's gearing ratio, which was computed by dividing the current liabilities and long term debt by shareholders' equity, was 32.9%.

Capital structure

No repurchases of shares were made and no share options were exercised, granted, cancelled or lapsed during the period, except as disclosed under the section headed "Share option scheme".

Pledge of assets

The group's investment property, certain leasehold land and buildings of the Group and time deposits of HK\$3,306,000 of the Group, together with the corporate guarantees of the Company, are used to secure banking facilities of the Group. At 31 March 2008, such facilities were utilised to the extent of approximately HK\$14,096,000.

APPLICATIONS OF PROCEEDS OF SHARE OFFER

The remaining balance of the net proceeds raised from the share offer in 1999 remained at about HK\$65.4 millions. If any specific investment targets are identified, the Board will make announcement in accordance with the applicable rules.

EMPLOYEES AND REMUNERATION POLICIES

The Group employs approximately 20,000 full time management, administrative, technical and production staff in Mainland China and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and prevailing industry practice. The Group's directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes options granted or to be granted under the share option scheme.



PROSPECTS

Looking forward to the second half of the year, the operating environment remains to be challenging. Crude oil price keeps on increasing and the high material prices affect the Group's gross profit margin. Operating costs also increase due to higher utility costs and the appreciation in Chinese yuan. Nonetheless, the sales of electronic calculators were under steady growth. The Group emphasizes product innovation and product development and considerable amount has been invested in exploring high-end calculator products such as multi-currencies converter calculator, USB calculators, water resistance calculators and PC key calculators. As the demand from the market for these high-end calculators is increasing, we are expanding our production capacity to meet the market needs.

Besides electronic calculators section, the business of telephone products is under rapid expansion. The Group considers that this segment will have great potential for growth, as there is growing demand for telephone products in Mainland China. The Group will continue to innovate high quality, with advanced functions telephone products to the market in order to attract new customers.

While the trading volume of LCD products is dropping, the Group turns to develop new LCD product such as colour monitor LCD product. Digital products like electronic dictionary, electronic organizers and video camera are under development.

During the period, the Group recorded a remarkable increase in sales to major markets like American and European countries. Other markets like PRC, Asian and African countries also recorded a steady growth in sales. We are striving to seek new marketing opportunity in prospective markets like PRC, South America and Eastern Europe.

Focusing on manufacturing of value-added products, expanding of our product range and strengthening of our sales and distribution network, we are trying our best to improve our performance in the second half of the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2008, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

| | Number of shares held, capacity and nature of interest | | | Percentage of the company's issued share capital |
|--|--|--------------------------------|--------------------|--|
| | Directly beneficially owned | Through controlled corporation | Total | |
| Executive directors: | | | | |
| Ms Wong King Ching, Helen and Ms Wong King Man | 200,000 | 400,000,000 (Note 1) | 400,200,000 | 39.4 |
| Non-executive directors: | | | | |
| Mr Wong Kim Seong | 50,000,000 | – | 50,000,000 | 4.9 |
| * Ms Wong Cho Kam | – | 100,000,000 (Note 2) | 100,000,000 | 9.8 |
| | <u>50,200,000</u> | <u>500,000,000</u> | <u>550,200,000</u> | <u>54.1</u> |

Notes:

- 400,000,000 shares are beneficially owned by Farnell Profits Limited, the entire issued share capital of which was previously held by the late Mr Wong Choi Fung ("**Mr Wong**") and currently forms part of the estate of the late Mr Wong. Ms Wong King Ching, Helen and Ms Wong King Man, directors of the Company, are beneficiaries of the said estate, whose interest in the shares of Farnell Profits Limited is not yet ascertained until completion of the administration of estate of the late Mr Wong. 200,000 shares are held and owned by Ms Wong King Ching, Helen.
 - These shares were held by Atworth Profits Limited, a company beneficially owned by Ms Wong Choi Kam.
- * Ms Wong Choi Kam has resigned as non-executive director on 27 May 2008.

The interests of the directors in the share options of the Company are separately disclosed in the section "Share Option Scheme" below.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to the eligible participants who contribute to the growth and development of the Group. The Scheme became effective on 25 February 2003 and unless otherwise terminated or amended, will remain in force for a period of 10 years from 25 February 2003.

The following share options were outstanding under the share option scheme of the Company during the Period:

| Name or category of participant | Number of share options at 1 October 2007 and 31 March 2008 | Date of grant of share options | Exercise period of share options | Exercise price of share options | Price of Company's share at date of grant of options |
|---------------------------------|---|--------------------------------|------------------------------------|---------------------------------|--|
| | | | | HK\$ | HK\$ |
| Directors | | | | | |
| * Ms Wong Choi Kam | 6,000,000 | 25 October 1999 | 25 October 1999 to 24 October 2009 | 1.20 | 1.60 |
| Ms Wong King Ching, Helen | 1,500,000 | 25 October 1999 | 25 October 1999 to 24 October 2009 | 1.20 | 1.60 |
| Mr Leung Chi Fai | 1,050,000 | 25 October 1999 | 25 October 1999 to 24 October 2009 | 1.20 | 1.60 |
| | 8,550,000 | | | | |
| Other employees in aggregate | 25,000,000 | 25 October 1999 | 25 October 1999 to 24 October 2009 | 1.20 | 1.60 |
| | 33,550,000 | | | | |

No share options were granted, exercised, cancelled, or lapsed under the share option scheme of the Company during the Period.

Shareholders can refer to the 2007 annual report of the Company issued in January 2008 for further details of the share option scheme.

* Ms Wong Choi Kam has resigned as non-executive director on 27 May 2008.



DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" as disclosed in the immediately preceding section, at no time during the Period were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme", no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

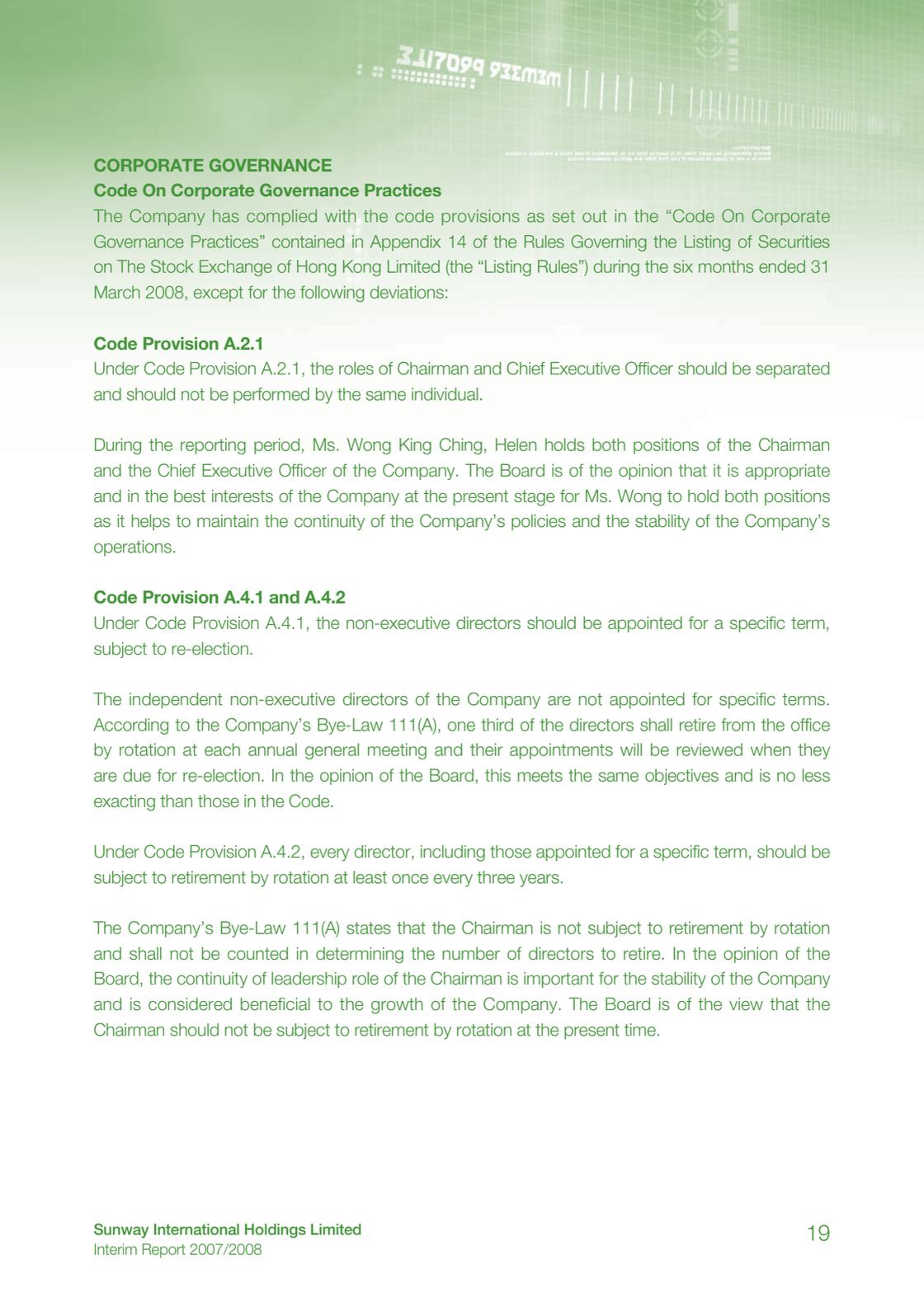
Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

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 auditing, internal control and financial reporting matters. The Group's financial statements for the period ended 31 March 2008 have been reviewed and approved by the Audit Committee and the Board of Directors, who are of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

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 of directors from time to time.



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 2008, 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.

BOARD OF DIRECTORS

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

Executive Directors:

Wong King Ching, Helen
Wong King Man
Leung Chi Fai

Independent non-executive Directors:

So Day Wing
Wong Kun Kim
Kan Lai Kuen

Non-executive Directors:

Wong Chun Ying
Wong Kim Seong

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

Hong Kong
26 June 2008