



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 2007

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 2007 (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	
		2007	2006
	Notes	HK\$'000	HK\$'000
Turnover	2	513,476	453,277
Cost of sales		(483,922)	(427,717)
Gross profit		29,554	25,560
Other revenue and gains		6,214	2,366
Selling and distribution costs		(3,701)	(2,667)
Administrative expenses		(21,748)	(20,084)
Other operating income		299	1,159
Profit from operating activities	3	10,618	6,334
Finance costs	4	(873)	(305)
Share of profit of a jointly-controlled entity		1,093	185
Profit before tax		10,838	6,214
Tax	5	(1,438)	(906)
Profit for the period attributable to equity holders of the parent		9,400	5,308
Interim dividend	6	Nil	Nil
Earnings per share attributable to ordinary equity holders of the parent	7		
– Basic		0.93 cents	0.52 cents
– Diluted		N/A	N/A

* For identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET

	(UNAUDITED) 31 March 2007 HK\$'000	(AUDITED) 30 September 2006 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	391,517	372,959
Investment properties	32,882	30,841
Prepaid land lease payments	30,670	35,953
Interest in a jointly-controlled entity	21,570	16,720
Deferred tax assets	1,976	1,844
Deposits paid for acquisition of prepaid land lease payments and property, plant and equipment	11,996	13,496
	490,611	471,813
CURRENT ASSETS		
Inventories	295,866	266,961
Accounts receivable	168,215	193,597
Prepayments, deposits and other receivables	28,923	24,455
Equity investments at fair value through profit or loss	549	179
Derivative financial instruments	14,679	10,791
Due from a related company	8,095	7,713
Tax recoverable	542	539
Pledged time deposits	3,222	3,095
Cash and cash equivalents	199,676	183,571
	719,767	690,901
CURRENT LIABILITIES		
Accounts payable	95,576	114,105
Accrued liabilities and other payables	59,172	46,811
Interest-bearing bank borrowings	59,283	43,529
Dividend payable	10,160	–
Tax payable	28,449	27,979
	252,640	232,424
NET CURRENT ASSETS	467,127	458,477
TOTAL ASSETS LESS CURRENT LIABILITIES	957,738	930,290
NON-CURRENT LIABILITIES		
Deferred tax liabilities	6,253	5,843
	951,485	924,447
CAPITAL AND RESERVES		
Issued capital	101,600	101,600
Reserves	849,885	812,687
Proposed final dividend	–	10,160
	951,485	924,447

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 2006.

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.

HKAS 1 Amendment	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ²
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ³

¹ Effective for annual periods beginning on or after 1st January 2007.

² Effective for annual periods beginning on or after 1st November 2006.

³ Effective for annual periods beginning on or after 1st March 2007.

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 15 June 2007 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 2007. 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 2007 or its net profit from ordinary activities and cash flows for the period ended 31 March 2007.

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:

- the electronic components and parts segment consists of the manufacture and sale of electronic components and parts;
- the consumer electronic products segment consists of the manufacture and sale of consumer electronic products; and
- 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		Six months ended		Six months ended		Six months ended	
	31 March		31 March		31 March		31 March	
	2007	2006	2007	2006	2007	2006	2007	2006
Segment revenue:								
Sales to external customers	169,053	121,911	343,720	311,767	703	19,599	513,476	453,277
Other revenue	765	163	3,602	1,324	2	2	4,369	1,489
Total	169,818	122,074	347,322	313,091	705	19,601	517,845	454,766
Segment results	1,121	449	8,351	6,142	(2)	(764)	9,470	5,827
Interest and unallocated other revenue and gains							1,844	877
Unallocated expenses							(696)	(370)
Profit from operating activities							10,618	6,334
Finance costs							(873)	(305)
Share of profit of a jointly-controlled entity							1,093	185
Profit before tax							10,838	6,214
Tax							(1,438)	(906)
Net profit from ordinary activities attributable to shareholders							9,400	5,308

Group (HK\$'000)

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	31 March 2007	30 September 2006	31 March 2007	30 September 2006	31 March 2007	30 September 2006	31 March 2007	30 September 2006
Segment assets	340,433	363,764	519,459	477,911	7,866	10,955	867,758	852,630
Interest in a jointly-controlled entity							21,570	16,720
Unallocated assets							321,050	293,364
Total assets							1,210,378	1,162,714
Segment liabilities	36,949	31,438	109,244	118,349	11,950	14,022	158,143	163,809
Unallocated liabilities							100,750	74,458
Total liabilities							258,893	238,267

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 2007	Six months ended 31 March 2006	Six months ended 31 March 2007	Six months ended 31 March 2006	Six months ended 31 March 2007	Six months ended 31 March 2006	Six months ended 31 March 2007	Six months ended 31 March 2006
Depreciation	14,459	17,420	7,290	11,370	-	-	21,749	28,790
Unallocated amounts							628	293
							22,377	29,083
Capital expenditure	1,601	2,444	5,497	3,375	-	-	7,098	5,819
Unallocated amounts							199	34
							7,297	5,853

(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		31 March		31 March		31 March		31 March		31 March		31 March	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Segment revenue:														
Sales to external customers	<u>123,412</u>	<u>75,463</u>	<u>75,492</u>	<u>70,824</u>	<u>75,789</u>	<u>75,804</u>	<u>109,800</u>	<u>106,072</u>	<u>81,298</u>	<u>77,921</u>	<u>47,685</u>	<u>47,193</u>	<u>513,476</u>	<u>453,277</u>
Other segment information:														
Capital expenditure	<u>199</u>	<u>34</u>	<u>7,098</u>	<u>5,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,297</u>	<u>5,853</u>

3. Profit from operating activities

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

	Six months ended 31 March	
	2007	2006
	HK\$'000	HK\$'000
Cost of inventories sold	483,922	427,717
Depreciation	22,377	29,083
Recognition of prepaid land lease payment	413	322
Provision for/(write back of) inventories	0	(1,244)
Staff costs (including directors' remuneration)	89,078	90,214
	<u> </u>	<u> </u>

4. Finance costs

	Six months ended 31 March	
	2007	2006
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	873	305
	<u> </u>	<u> </u>

5. Tax

	Six months ended 31 March	
	2007	2006
	HK\$'000	HK\$'000
Provision for tax in respect of profit for the period:		
Hong Kong	3	-
Mainland China	1,304	861
	<u> </u>	<u> </u>
	1,307	861
Share of tax attributable to a jointly-controlled entity	131	45
	<u> </u>	<u> </u>
	1,438	906
	<u> </u>	<u> </u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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 2007 (2006: Nil).

6. Interim dividend

The Board of the Company did not recommend any interim dividend for the six months ended 31 March 2007 (2006: Nil).

7. Earnings per share

The calculation of the basic earnings per share for the six months ended 31 March 2007 is based on the unaudited consolidated net profit from ordinary activities attributable to shareholders of HK\$9,400,000 (2006: HK\$5,308,000) and the weighted average number of 1,016,001,301 (2006: 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\$7,297,000 (2006: HK\$5,853,000) on additions to fixed assets to upgrade its manufacturing capabilities.

9. Contingent liabilities

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

	31 March 2007 HK\$'000	30 September 2006 HK\$'000
Guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries	171,000	171,000

MANAGEMENT DISCUSSION AND ANALYSIS

Review of results and operation

For the six months ended 31 March 2007, the Group recorded a consolidated turnover of HK\$513,476,000, an 13.3% increase compared with HK\$453,277,000 in corresponding period last year.

Profit before tax increased 74.4% to HK\$10,838,000. Gross profit for the period was HK\$29,554,000 with gross profit margin slightly increased to 5.8% compared with 5.6% in corresponding period last year. Net profit for the period was HK\$9,400,000, representing an increase of 77.1% from the previous period.

Sales of liquid crystal displays ("LCD") remained strong and recorded a growth of 60% to HK\$122,456,000 compared with HK\$76,556,000 in previous corresponding period. It represented 23.8% of the Group's turnover for the period. Large portion of the growth in the turnover of LCD was contributed by the rise in trading volume of TFT LCD products. Sales of STN-LCD and TN-LCD products also recorded growth.

Market of consumer electronic products faced a strong competition during the period. Turnover of electronic calculators was HK\$199,084,000, dropped by 15.5% from the previous corresponding period. This business category contributed 38.8% of the Group's turnover for the period. The Group continued to supply a wide range of electronic calculators to meet the market's need.

Revenue from electronic watches and clocks amounted to HK\$79,062,000, rose 42.4% from the previous corresponding period. It accounted for 15.4% of the Group's turnover. Telephone products recorded a turnover of HK\$65,574,000, increased by 217% compared with the previous corresponding period. Launching of new products like mobile telephone accounted for the surge in sales of the telephone products. Products like electronic watches, multifunctional corded and cordless telephones got steady demand from the market and gave stable income to the Group. The Group expects that this telephone segment will continue to generate growth in revenue in the coming years, as there is huge demand of telephone products in Mainland China. The Group will continue to innovate more high quality and value-added products to the market in order to maintain its market share.

The Group kept tight control on accounts receivable management and effective measures have continued to monitor the debtors' repayment time. Accounts receivables dropped by 13.1% with improved turnover days shortened to 119 days on average.

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 2007, the total shareholders' equity of the Group was approximately HK\$951,485,000, an increase of 2.9% of that at 30 September 2006. The Group's cash and cash equivalents and bank deposits stood at HK\$202,898,000. The interest-bearing bank borrowings of the Group amounted to HK\$59,283,000. 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 27.2%.

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\$3,222,000 of the Group, together with the corporate guarantees of the Company, are used to secure banking facilities of the Group. At 31 March 2007, such facilities were utilised to the extent of approximately HK\$4,181,000.

APPLICATIONS OF PROCEEDS OF SHARE OFFER

The remaining balance of about HK\$137.3 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 Limited. As progress of the projects as implemented by Taiwan Communication (Fujian) Company Limited proceeded at a slower pace than anticipated, the Board is considering to allocate part of these proceeds to other investment opportunities. If any specific 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

We anticipate a promising business growth in the second half of the year.

There are a lot of opportunities for growth and development which can be leverage from new markets and new products. The Group emphasizes product innovation and the investment in research and development will keep the Group in enlarging our market share as well as attracting new customers. Resources are used in development of new electronic calculators products such as water resistance calculators, currencies converter calculators, USB calculators and PC key calculators.

For gift section, to keep abreast of market trends, new product like Digital Photo Frame Key Chain are under development and will be launched in the second half of the year.

At the same time, new original equipment manufacturing ("OEM") projects are in progress. The Group is cooperating with some well-established brands of consumer electronic products manufacturers to produce OEM products. The projects will generate new source of revenue to the Group.

Efforts are also made in exploring new overseas customers, including some large chain stores from USA and Europe.

Local trading of TFT LCD products is still under rapid growth. The Group is considering the selling of large size TFT LCD products in the coming future.

Business for mobile telephone is also expanding. With the huge population and the growing demand of mobile telephone in Mainland China, the Group is optimistic to the business of this segment.

During the period, we have worked hard to maintain business growth and enhance shareholder value. The Group is confident in achieving stronger results in the second half of the year.

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 2007 have been reviewed and approved by the Audit Committee, 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 2007, 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

Independent non-executive Directors:

So Day Wing
Wong Kun Kim
Kan Lai Kuen

Non-executive Directors:

Wong Choi Kam
Wong Chun Ying
Wong Kim Seong

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

Hong Kong
29 June 2007