SUNWAY INTERNATIONAL HOLDINGS LIMITED

新威國際控股有限公司*

(incorporated in Bermuda with limited liability)

HKEX stock code: 58

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012

HIGHLIGHTS

- Consolidated revenue was HK$794,333,000, compared to HK$1,021,413,000 last year, representing a decrease of 22.2%.
- Loss attributable to owners of the parent was HK$210,948,000, compared to HK$88,245,000 last year, representing an increase of 1.4 times.
- Basic loss per share amounted to 21 Hong Kong cents, compared to 9 Hong Kong cents last year, representing an increase of 1.33 times.
- No final dividend was proposed for the year (2011: Nil).

* *For identification purposes only*

The Board of Directors (the "Board") of Sunway International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 September 2012, together with the comparative figures for 2011, as follows:

Consolidated Income Statement

	Notes	**2012** **HK$'000**	2011 *HK$'000*
REVENUE	*2*	**794,333**	1,021,413
Cost of sales		**(854,703)**	(995,004)
Gross (loss)/profit		**(60,370)**	26,409
Other income and gains		**21,609**	20,958
Selling and distribution costs		**(13,719)**	(17,160)
Administrative expenses		**(102,689)**	(91,887)
Other operating expenses		**(16,303)**	(5,604)
Finance costs		**(29,844)**	(13,393)
Share of loss of a jointly-controlled entity		**(4,049)**	(2,118)
LOSS BEFORE TAX	*3*	**(205,365)**	(82,795)
Income tax expenses	*4*	**(5,583)**	(5,450)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(210,948)**	(88,245)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*6*	**(21 cents)**	(9 cents)

Consolidated Statement of Comprehensive Income

	2012	2011
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(210,948)**	(88,245)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of financial statements of foreign operations	**4,740**	39,917
Surplus on revaluation of property, plant and equipment	**21,914**	22,593
Change in fair value of available-for-sale investments	**1,062**	(1,657)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**27,716**	60,853
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(183,232)**	(27,392)

Consolidated Statement of Financial Position

	Notes	30 September 2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**459,176**	457,304
Investment property		**63,770**	56,712
Prepaid land lease payments		**67,137**	68,572
Interest in a jointly-controlled entity		**9,456**	13,428
Available-for-sale investments		**6,430**	5,368
Deposits paid for acquisition of property, plant and equipment		**711**	–
Total non-current assets		**606,680**	601,384
CURRENT ASSETS			
Inventories		**293,595**	270,255
Loan receivables		**155,918**	–
Trade receivables	*7*	**148,495**	158,599
Prepayments, deposits and other receivables		**24,693**	50,942
Due from a jointly-controlled entity		**326**	–
Tax recoverable		**80**	80
Pledged time deposits		**16,354**	85,626
Cash and cash equivalents		**270,573**	223,607
Total current assets		**910,034**	789,109
CURRENT LIABILITIES			
Trade payables	*8*	**151,815**	115,091
Other payables and accruals		**33,539**	47,841
Derivative financial instruments		**–**	1,301
Due to a director		**2,681**	575
Due to a jointly-controlled entity		**–**	232
Interest-bearing bank borrowings		**650,164**	375,011
Tax payable		**28,928**	28,765
Total current liabilities		**867,127**	568,816
NET CURRENT ASSETS		**42,907**	220,293
TOTAL ASSETS LESS CURRENT LIABILITIES		**649,587**	821,677
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**45,215**	36,175
Provision for long service payment		**742**	626
Total non-current liabilities		**45,957**	36,801
NET ASSETS		**603,630**	784,876
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		**101,600**	101,600
Reserves		**502,030**	683,276
TOTAL EQUITY		**603,630**	784,876

Notes:

1.1 Basis of preparation

The consolidated financial statements for the year ended 30 September 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a jointly-controlled entity.

Items included in the consolidated financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK$.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value.

- investment property
- certain property, plant and equipment
- available-for-sale investments
- derivative financial instruments

The preparation of the consolidated financial statements in conformity with Hong Kong Financial Reporting Standards ("HKFRSs") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group had net current assets of approximately HK$42,907,000 as at 30 September 2012 of which current liabilities of approximately HK$650,164,000 were attributable to bank borrowings due within one year. Taking into account the financial resources of the Group, including the Group's unutilised 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 obligation as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these consolidated financial statements have been prepared on a going concern basis.

1.2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRSs	Improvements to HKFRSs 2010
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (Revised 2009)	Related Party Disclosure
Amendments to HK(IFRIC) – Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement

The application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[3]
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans[3]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosures of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (as revised in 2011)	Employee Benefits[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

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.

1.2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

1.2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 October 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and nonfinancial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 October 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

1.2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

Under the amendments to HKAS 12, investment property that is measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property and concluded that the Group's investment property, which is located in the PRC, are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, and that the presumption set out in the amendments to HKAS 12 is rebutted.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. Revenue and segment information

a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker is set out below:

	Electronic components and parts		Consumer electronic products		Other business		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	HK$'000
Segment revenue								
Revenue from external customers	**166,218**	216,677	**626,661**	804,271	**1,454**	465	**794,333**	1,021,413
Reportable segment (loss)/ profit from operations	**(45,302)**	(18,994)	**(144,378)**	(58,837)	**(288)**	2	**(189,968)**	(77,829)
Other income and gains							**21,609**	13,356
Finance costs							**(29,844)**	(13,393)
Share of loss of a jointly-controlled entity							**(4,049)**	(2,118)
Unallocated head office and corporate expenses							**(3,113)**	(2,811)
							(205,365)	(82,795)

2. **Revenue and segment information** *(continued)*

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

	Electronic components and parts		Consumer electronic products		Other business		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	HK$'000
Other segment information*								
Additions to property, plant and equipment	**15,492**	8,882	**45,829**	26,059	**–**	–	**61,321**	34,941
Depreciation	**(20,708)**	(19,191)	**(61,260)**	(56,310)	**(686)**	(630)	**(82,654)**	(76,131)
Amortisation of prepaid land lease payments	**(462)**	(447)	**(1,368)**	(1,312)	**–**	–	**(1,830)**	(1,759)
(Provision for)/Reversal of write down of inventories	**(8,796)**	1,001	**(26,019)**	2,939	**–**	–	**(34,815)**	3,940
Reportable segment assets	**266,986**	270,759	**799,208**	649,490	**243**	39	**1,066,437**	920,288
Reportable segment liabilities	**31,316**	20,899	**136,602**	105,588	**934**	7	**168,852**	126,494

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

b) *Reconciliation of reportable segment revenues, profit or loss, assets and liabilities*

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Consolidated turnover	**794,333**	1,021,413
Loss		
Total reportable segment loss	**(189,968)**	(77,829)
Reportable segment loss derived from Group's external customers	**(189,968)**	(77,829)
Bank and other interest income	**8,030**	1,440
Other revenue and gains	**13,579**	11,916
Finance costs	**(29,844)**	(13,393)
Share of loss of a jointly-controlled entity	**(4,049)**	(2,118)
Unallocated head office and corporate expenses	**(3,113)**	(2,811)
Consolidated loss before taxation	**(205,365)**	(82,795)
Assets		
Total reportable segment assets	**1,066,437**	920,288
	1,066,437	920,288
Available-for-sale investments	**6,430**	5,368
Cash and bank deposits	**286,927**	309,233
Interest in a jointly-controlled entity	**9,456**	13,428
Unallocated head office and corporate assets	**147,464**	142,176
Consolidated total assets	**1,516,714**	1,390,493

2. Revenue and segment information *(continued)*

b) *Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (continued)*

	2012	2011
	HK$'000	*HK$'000*
Liabilities		
Total reportable segment liabilities	**168,852**	126,494
	168,852	126,494
Bank loans	**644,086**	369,036
Tax payable	**28,928**	28,765
Deferred tax liabilities	**45,215**	36,175
Unallocated head office and corporate liabilities	**26,003**	45,147
Consolidated total liabilities	**913,084**	605,617

c) *Geographic information*

The following is an analysis of geographical location of the Group's revenue from external customers and the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets are based on the physical location of the assets, in case of property, plant and equipment, investment property and prepaid land lease payments.

	Hong Kong		PRC		Other Asian countries*		American countries**		European countries***		African countries****		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Turnover from external customers	**28,353**	30,763	**240,839**	230,287	**200,615**	222,357	**222,445**	406,133	**71,680**	92,661	**30,401**	39,212	**794,333**	1,021,413
Non-current assets *****	**15,913**	16,587	**574,881**	566,001	**-**	-	**-**	-	**-**	-	**-**	-	**590,794**	582,588

* 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 investments and interest in a jointly-controlled entity.

d) *Information about a major customer*

There was no single customer individually contributed over 10% of the Group's total revenue during the year. The revenue of approximately HK$195,738,000 was derived from sales by the customer electronic products segment to a single customer for the year ended 30 September 2011.

3. Loss before tax

	2012	2011
	HK$'000	*HK$'000*
The Group's loss before tax is arrived at after charging/(crediting):		
Depreciation	**82,654**	76,131
Amortisation of prepaid land lease payments	**1,830**	1,759
Minimum lease payments under operating leases in respect of land and buildings	**1,089**	1,334
Auditors' remuneration	**880**	1,087
Rental income from investment property	**(2,538)**	(2,140)
Rental income from operating leases, other then those relating to investment property	**(1,771)**	(1,487)
Provision for/(Reversal of) write down of inventories	**34,815**	(3,940)
Foreign exchange difference, net	**887**	4,214
Loss in fair value changes of derivative financial instruments	**–**	1,301
Impairment/(reversal) of other receivables	**7,637**	(620)
Impairment on property, plant and equipment	**7,352**	–
Written off of trade receivables	**87**	–
Employee benefits expense (excluding directors' emoluments):		
Pension scheme contributions	**7,214**	5,963
Provision for/(reversal of) long service payment	**77**	(41)
Equity-settled share-based payments expenses	**1,090**	1,126
Salaries, wages and allowances	**207,164**	258,347
	215,545	265,395

4. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made during the year ended 30 September 2012 as the Group did not generate any assessable profits arising in Hong Kong during the year. Subsidiaries established in PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2011: 25%).

	2012	2011
	HK$'000	*HK$'000*
Current tax – PRC		
Charge for the year	**3,900**	4,023
Deferred tax	**1,683**	1,427
	5,583	5,450

5. Dividends

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2011: HK$Nil).

6. Loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the parent of approximately HK$210,948,000 (2011: HK$88,245,000) and 1,016,001,301 (2011: 1,016,001,301) ordinary shares in issue during the year.

The Company had no dilutive potential ordinary shares in existence for the years ended 30 September 2012 and 2011 since the Company's share options are anti-dilutive. Therefore, the diluted loss per share are the same as the basic loss per share.

7. Trade receivables

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**189,552**	199,581
Less: Allowance for doubtful debts	**(41,057)**	(40,982)
	148,495	158,599

Ageing analysis

An ageing analysis of the trade receivables net of allowance for doubtful debts as at the end of the reporting period is presented based on the invoice date as follows:

	2012	2011
	HK$'000	*HK$'000*
Current to 3 months	**111,375**	134,943
4 to 6 months	**35,895**	21,887
7 to 12 months	**1,225**	1,769
	148,495	158,599

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.

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:

	2012	2011
	HK$'000	*HK$'000*
Due less than 3 months or on demand	**133,328**	104,122
Due from 4 to 6 months	**10,109**	4,598
Due from 7 to 12 months	**3,060**	1,416
Due over 1 year	**5,318**	4,955
	151,815	115,091

The 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.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATION

Turnover of the Group for the year ended 30 September 2012 decreased by HK$227,080,000 or 22.2% to HK$794,333,000, compared to HK$1,021,413,000, reported last year. Sales orders from American customers dropped significantly given its unfavorable market conditions. The Group recorded gross loss of HK$60,370,000 for the year, compared to gross profit HK$26,409,000 last year. It was mainly attributable to decrease in sales, however, the overall manufacturing fixed costs remained fairly constant compare with last year and also the provision for inventories made. As a result, gross profit was further dropped by HK$86,779,000 or 3.29 times.

Net loss of the Group was also deteriorated by HK$122,703,000 or 1.39 times to HK$210,948,000 for the year ended 30 September 2012 compared to HK$88,245,000 last year.

Consumer electronic products

Consumer electronic products mainly include calculators, watches and clocks and other digital products which represented 78.9% of the Group's revenue. Affected by the global economy, overall revenue from sales of consumer electronic products substantially decreased by HK$177,610,000 or 22.1% from HK$804,271,000 last year to HK$626,661,000 this year.

Turnover of electronic calculators was HK$390,979,000 representing a decrease of HK$62,090,000 or 13.7% compared to HK$453,069,000 last year. Sales of electronic calculators contributed 49.2% of the Group's turnover for the year. It remained the largest business segment of the Group.

Sales of electronic watches and clocks slight increased by HK$3,812,000, or 2.8% to HK$140,542,000 from HK$136,730,000 last year. It accounted for 17.7% of the Group's total turnover for the year.

Sales of digital products represented 8.4% of the Group's turnover for the year, generated revenue amounted to HK$66,390,000, which decreased by HK$107,144,000 or 61.7% as compared to HK$173,534,000 last year. The significant drop this segment was due to the once-off orders of e-books last year.

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 year were HK$92,393,000, HK$47,424,000 and HK$30,398,000. Aggregated revenue for the year decreased by HK$50,459,000 or 23.3% from HK$216,677,000 last year to HK$166,218,000. This segment has accounted for 20.9% of the Group's revenue.

As a result of the significant decrease in sales in American markets, the PRC became the largest market for the year which contributed 30.3% of the Group's turnover.

Selling and distribution expenses mainly consisted of transportation expenses, which dropped in line with the decrease in sales, by HK$3,441,000 or 20.1% from HK$17,160,000 last year to HK$13,719,000 this year.

General and administrative expenses rose by HK$10,802,000 or 11.8% from HK$91,887,000 last year to HK$102,689,000 this year. It was mainly contributed by continuing increment in staff costs and its related expenses in the PRC.

Finance costs were HK$29,844,000, compared to HK$13,393,000 last year. Increase of finance costs by HK$16,451,000 or 1.23 times was due to bank borrowings obtained to finance the operations in the PRC during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally 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 30 September 2012, the total shareholders' equity of the Group was approximately HK$603,630,000, representing a decrease of 23.1% over last year. The Group maintained a high level of cash and cash equivalents at the year-end which were sourced externally from banks. As at 30 September 2012, the Group's cash and bank balances and time deposits stood at HK$286,927,000 whereas bank loans were HK$644,086,000 and trust receipt loans were HK$6,078,000. 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 long term liabilities by shareholders' equity, was 151.3% this year. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

SIGNIFICANT INVESTMENTS AND ACQUISITION

During the year, the Group incurred HK$61,321,000 on additions to construction in progress, plant and equipment to upgrade its manufacturing capabilities.

CAPITAL STRUCTURE

No repurchases of shares were made during the year. On 2 November 2009, the Company granted 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 of which 1,500,000 share options have been lapsed during the year. At 30 September 2012, the number of shares in respect of which options had been granted and exercisable was 53,160,000. No share options were exercised during the year.

PLEDGE OF ASSETS

The Group's certain leasehold land and buildings of HK$107,480,000, certain prepaid lease payments of HK$14,334,000, investment property of HK$63,770,000, and time deposits of HK$16,354,000 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 Limited 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 30 September 2012, the Group has approximately 6,000 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 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.

CONTINGENT LIABILITIES

As at 30 September 2012, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries of the Company amounting to HK$45,000,000 and such facilities were utilized to the extent of approximately HK$14,626,000.

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 year.

PROSPECTS

Facing the unfavorable American market conditions and the uncertainties from the European market, we expected the business environment would continue to be difficult and complicated. In the coming year, the Group will adopt prudent business strategies for the existing sectors.

We will continue to modify, including adding new functions and improvement of design, of the existing model of calculators, watches and clocks in order maintain the steady growth of these segments. There are several new digital products under development such as digital toys, digital camera and speaker, etc.

To cope with these challenges, our Group remained focus to carry out various initiatives to control operating costs and streamline the existing operation so as to enhance operation efficiency. The Group also continued to carry out effective marketing initiatives to maintain its market position so as to sustain our Group's profitability.

Well-aware of the challenges ahead and well-prepared to strive for excellence with dedication, the Group will maintain its prudent business development and lay a solid foundation for achieving its mid to long-term goals.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 21 February 2013 to Thursday, 28 February 2013 both dates inclusive, during which period no transfer of shares will be registered.

In order to qualify for exercising the voting rights of shareholders at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Tricor Tengis Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 20 February 2013.

AUDIT COMMITTEE

The Company's Audit Committee was established on 6 August 1999 in accordance with the requirements of the Code of Best Practice (the "Code") for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. Members of the Audit Committee at the date of this announcement comprised Ms. Kan Lai Kuen, Alice, Mr. So Day Wing and Mr. Wong Kun Kim, the three Independent Non-executive Directors of the Company. The Group's financial statements for the year ended 30 September 2012 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 from time to time.

NOMINATION COMMITTEE

The Nomination Committee, comprises the three 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 year ended 30 September 2012, 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 throughout the year.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

All information required by paragraph 45 inclusive of Appendix 16 of the Listing Rules will be submitted to the Stock Exchange for publication on its website in due course.

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

Hong Kong, 28 December 2012

As at the date of this announcement, the Board comprises three Executive Directors, namely Ms. Wong King Ching, Helen, Ms. Wong King Man and Mr. Leung Chi Fai and three Independent Non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. So Day Wing and Mr. Wong Kun Kim and two Non-executive Directors, namely Ms. Wong Chun Ying and Mr. Wong Kim Seong.