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 2011

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 2011 (the "period"), together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(UNAUDITED) Six months ended 31 March	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**483,057**	398,496
Cost of sales		**(470,969)**	(387,064)
Gross profit		**12,088**	11,432
Other income		**10,362**	7,160
Selling and distribution costs		**(9,754)**	(8,168)
Administrative expenses		**(32,876)**	(35,547)
Other operating expenses		**(2,412)**	(10,139)
Loss from operations		**(22,592)**	(35,262)
Finance costs		**(3,812)**	(2,864)
Share of (loss)/profit of a jointly-controlled entity		**(1,278)**	310
Loss before taxation	3	**(27,682)**	(37,816)
Income tax	4	**–**	(120)
Loss for the period attributable to owners of the Company		**(27,682)**	(37,936)
Interim dividend	5	**Nil**	Nil
Loss per share attributable to owners of the Company	6		
– Basic		**(3 cents)**	(4 cents)
– Diluted		**(3 cents)**	(4 cents)

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(UNAUDITED) Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**(27,682)**	(37,936)
Other comprehensive income/(loss) for the period (net of tax)		
Exchange differences on translation of financial statements of foreign operations	**19,926**	3,051
Gain/(loss) arising on change in fair value of available-for-sale investments	**180**	(989)
Total comprehensive loss for the period attributable to owners of the Company	**(7,576)**	(35,874)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(UNAUDITED) 31 March 2011 HK$'000	(AUDITED) 30 September 2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**434,605**	444,565
Investment properties		**49,617**	48,404
Prepaid land lease payments		**70,817**	69,801
Interest in a jointly-controlled entity		**13,918**	14,840
Available-for-sale investments		**7,205**	7,025
Deposits paid for acquisition of property, plant and equipment		**8,195**	651
Total non-current assets		**584,357**	585,286
CURRENT ASSETS			
Inventories		**268,038**	285,896
Trade receivables	*8*	**169,248**	196,409
Prepayments, deposits and other receivables		**58,312**	58,523
Pledged time deposits		**59,637**	27,058
Tax recoverable		**80**	80
Cash and cash equivalents		**69,251**	71,751
Total current assets		**624,566**	639,717
CURRENT LIABILITIES			
Trade payables	*9*	**127,025**	145,110
Accrued liabilities and other payables		**44,015**	39,081
Due to a director		**–**	293
Due to a jointly-controlled entity		**227**	22
Interest-bearing bank borrowings		**179,853**	172,573
Tax payable		**25,286**	30,028
Total current liabilities		**376,406**	387,107
NET CURRENT ASSETS		**248,160**	252,610
TOTAL ASSETS LESS CURRENT LIABILITIES		**832,517**	837,896
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**27,168**	26,963
Provision for long service payment		**656**	690
Total non-current liabilities		**27,824**	27,653
Net assets		**804,693**	810,243
EQUITY			
Share capital		**101,600**	101,600
Reserves		**703,093**	708,643
Total equity		**804,693**	810,243

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 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 interim 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 consolidated interim financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 30 September 2010, except for the adoption of the following new and revised HKAS and Hong Kong Financial Reporting Standards ("HKFRS") and Interpretations (hereinafter collectively referred to as "new and revised HKFRSs") which are applicable to the Group and are effective in the current period.

1.2 Application of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs that are first effective for the current accounting period:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK Interpretation 4	Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Lease
HK Interpretation 5	Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause

The adoption of the new and revised HKFRSs has no material effect on the condensed consolidated interim financial statements of the Group for the current or prior accounting periods.

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

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

The Group has not early applied any of the following new and revised HKFRSs which have been issued but are not yet effective for annual periods beginning on 1 October 2010:

HKFRSs (Amendments)	Amendments to HKAS 1 and 34, HKFRS 1 and 7 and HK (IFRIC) – Int 13 as parts of improvements to HKFRSs issued in 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[1]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[1]

1 Effective for annual periods beginning on or after 1 January 2011.
2 Effective for annual periods beginning on or after 1 July 2011.
3 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipated that the application of the other new and revised HKFRSs will have no material impact on the condensed consolidated interim financial statements.

2. REVENUE AND SEGMENT INFORMATION

(a) Business segments

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 Six months ended 31 March		Consumer electronic products Six months ended 31 March		Other business Six months ended 31 March		Total Six months ended 31 March	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**96,758**	108,123	**385,834**	289,975	**465**	398	**483,057**	398,496
Reportable segment (loss)/profit from operations	**(6,585)**	(8,058)	**(24,161)**	(31,873)	**23**	(7)	**(30,723)**	(39,938)
Other income							**10,362**	7,160
Finance costs							**(3,812)**	(2,864)
Share of (loss)/profit of a jointly-controlled entity							**(1,278)**	310
Unallocated head office and corporate expenses							**(2,231)**	(2,484)
Loss before taxation							**(27,682)**	(37,816)
Amortisation of prepaid land lease payments	**–**	–	**–**	–	**731**	714	**731**	714
Depreciation	**7,416**	9,495	**25,369**	22,154	**266**	275	**33,051**	31,924
Written down of inventories	**6,397**	–	**21,880**	–	**–**	–	**28,277**	–
Additions to property, plant and equipment (i.e., non-current assets other than financial assets and deferred tax assets)	**2,836**	1,535	**9,702**	4,122	**19**	612	**12,557**	6,269

	Electronic components and parts		Consumer electronic products		Other business		Total	
	31 March 2011	30 September 2010	**31 March 2011**	30 September 2010	**31 March 2011**	30 September 2010	**31 March 2011**	30 September 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**275,613**	271,356	**650,350**	702,250	**94**	87	**926,057**	973,693
Reportable segment liabilities	**24,230**	28,767	**125,632**	134,646	**6**	4	**149,868**	163,417

2. REVENUE AND SEGMENT INFORMATION *(continued)*

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

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Consolidated turnover	**483,057**	398,496
Loss		
Total reportable segments' loss	**(30,723)**	(39,938)
Reportable segment loss derived from Group's external customers	**(30,723)**	(39,928)
Other income	**10,362**	7,160
Finance costs	**(3,812)**	(2,864)
Share of (loss)/profit of a jointly-controlled entity	**(1,278)**	310
Unallocated head office and corporate expenses	**(2,231)**	(2,484)
Consolidated loss before taxation	**(27,682)**	(37,816)

	31 March	30 September
	2011	2010
	HK$'000	*HK$'000*
Assets		
Total reportable segments' assets	**926,057**	973,693
	926,057	973,693
Available-for-sale investments	**7,205**	7,025
Interest in a jointly-controlled entity (accounted for by the equity method) *(Note 1)*	**13,918**	14,840
Unallocated head office and corporate assets	**261,743**	229,445
Consolidated total assets	**1,208,923**	1,225,003
Liabilities		
Total reportable segments' liabilities	**149,868**	163,417
	149,868	163,417
Current tax liabilities	**25,286**	30,028
Deferred tax liabilities	**27,168**	26,963
Unallocated head office and corporate liabilities	**201,908**	194,352
Consolidated total liabilities	**404,230**	414,760

Note 1: Interest in a jointly-controlled entity is not included in the measure of segment assets but are regularly provided to the chief operating decision maker.

2. REVENUE AND SEGMENT INFORMATION *(continued)*

(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, the location of the operation to which they are allocated, in case of intangible assets and goodwill, and the location of operations, in case of interests in a jointly-controlled entity.

	Hong Kong Six months ended 31 March		Mainland China Six months ended 31 March		Other Asian countries* Six months ended 31 March		American countries** Six months ended 31 March		European countries*** Six months ended 31 March		African countries**** Six months ended 31 March		Consolidated Six months ended 31 March	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers	**9,893**	20,656	**110,875**	69,414	**95,399**	76,285	**209,885**	108,731	**37,954**	86,542	**19,051**	36,868	**483,057**	398,496

	31 March 2011	30 September 2010	**31 March 2011**	30 September 2010	**31 March 2011**	30 September 2010	**31 March 2011**	30 September 2010	**31 March 2011**	30 September 2010	**31 March 2011**	30 September 2010	**31 March 2011**	30 September 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Specified non-current assets *****	**28,568**	29,744	**548,584**	548,517	**-**	-	**-**	-	**-**	-	**-**	-	**577,152**	578,261

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

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

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

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

***** *Specified non-current assets excluding financial instruments.*

(d) Information about major customers

Revenue from customers contributing 10% or more of the total turnover of the Group are as follows:

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Customer A — revenue from Mainland China	**121,590**	32,433

3. LOSS BEFORE TAXATION

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	**3,812**	2,864
Total interest expense on financial liabilities not at fair value through profit or loss	**3,812**	2,864
(b) Employee benefits expense (including directors' emoluments):		
Pension scheme contributions (defined contribution schemes)	**1,644**	2,110
Reversal of provision for long service payment	**(34)**	–
Salaries, wages and allowances	**97,933**	88,810
Share-based payments	**2,026**	2,019
	101,569	92,939
(c) Other items:		
Amortisation of prepaid land lease payments	**731**	714
Cost of inventories sold	**470,969**	387,064
Depreciation	**33,051**	31,924
Written down of inventories	**28,277**	–

4. INCOME TAX

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Provision for tax in respect of profit for the period:		
Hong Kong	**–**	–
Mainland China	**–**	–
	–	–
Share of tax attributable to a jointly-controlled entity	**–**	120
	–	120

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2010: HK$Nil). 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 2011 (2010: Nil)

5. INTERIM DIVIDEND

The Directors of the Company do not recommend payment of interim dividend for the six months ended 31 March 2011 (2010: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31 March 2011 is based on the loss for the period attributable to owners of the Company of approximately HK$27,682,000 (2010: HK$37,936,000) and the weighted average number of 1,016,001,301 (2010: 1,016,001,301) ordinary shares in issue during the period.

The calculation of diluted loss per share for the six months ended 31 March 2011 is based on the loss for the period attributable to owners of the Company of approximately HK$27,682,000 (2010: HK$37,936,000) and the weighted average number of 1,016,001,301 (2010: 1,016,001,301) ordinary shares in issues during the period plus the weighted average number of 36,040,000 (2010: 18,120,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$12,557,000 (2010: HK$6,269,000) on additions to construction in progress, plant and machinery to upgrade its manufacturing capabilities.

8. TRADE RECEIVABLES

	31 March 2011 *HK$'000*	30 September 2010 *HK$'000*
Trade receivables	**216,837**	242,861
Less: Allowance for doubtful debts	**(47,589)**	(46,452)
	169,248	196,409

(a) Ageing analysis

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

	31 March 2011 *HK$'000*	30 September 2010 *HK$'000*
Current to 3 months	**122,367**	155,737
4 to 6 months	**43,293**	36,556
7 to 12 months	**3,588**	4,116
	169,248	196,409

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 RECEIVABLES *(continued)*

(a) Ageing analysis *(continued)*

The factors which the Group considered in determining whether these trade receivables were individually impaired include the following:

- significant financial difficulty of the debtor;
- receivables that have been outstanding for over one year; and
- it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation.

(b) Impairment of trade receivables

Impairments losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movement in the allowance for doubtful debts for trade receivables is as follows:

	31 March 2011 *HK$'000*	30 September 2010 *HK$'000*
Balance at beginning of the period	**46,452**	42,140
Impairment losses recognised on receivables	**–**	3,600
Exchange realignment	**1,137**	712
Balance at end of the period	**47,589**	46,452

At 31 March 2011, the Group's trade receivables of HK$169,248,000 (2010: HK$196,409,000) was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and over due for more than 1 year and management assessed that the recoverability of these receivables is in doubt.

(c) Trade receivables that are not impaired

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$62,903,000 (2010: HK$66,066,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

	31 March 2011 *HK$'000*	30 September 2010 *HK$'000*
Neither past due nor impaired	**106,345**	130,343
Within 3 months past due	**16,022**	25,394
4 to 6 months past due	**43,293**	36,556
7 to 12 months past due	**3,588**	4,116
	169,248	196,409

8. **TRADE RECEIVABLES** *(continued)*

(c) **Trade receivables that are not impaired** *(continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

9. **TRADE PAYABLES**

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

	31 March 2011	30 September 2010
	HK$'000	*HK$'000*
Current to 3 months	**111,463**	124,683
4 to 6 months	**6,432**	9,774
7 to 12 months	**1,951**	3,907
Over 1 year	**7,179**	6,746
	127,025	145,110

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.

10. **CONTINGENT LIABILITIES**

At the end of the reporting period, contingent liabilities not provided for in the condensed consolidated interim financial statements are as follows:

	31 March 2011	30 September 2010
	HK$'000	*HK$'000*
Guarantees executed by the Company in favour of banks for general banking facilities granted to a subsidiary	**58,000**	58,000

The Company had given corporate guarantees to banks in connection with banking facilities granted by the banks to a subsidiary. At the end of the reporting period, such facilities was drawn down by the subsidiary to extent of HK$13,629,000 (30 September 2010: HK$17,795,000). The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiary of HK$13,629,000 (30 September 2010: HK$17,795,000). No recognition was made because the fair value of the guarantee was insignificant and that the Directors did not consider it is probable that a claim would be made against the Company under the guarantee.

The Group did not have any other significant contingent liabilities as at the end of the reporting period (2010: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of results and operation

For the six months ended 31 March 2011, the Group recorded a consolidated turnover of HK$483,057,000, representing an increase of 21.2% compared to HK$398,496,000 in the same period last year. Given the manufacturing cost soared in Mainland China together with the appreciation of Reminbi, selling price of various products has generally increased.

Gross profit for the period was HK$12,088,000 with gross profit margin of 2.5% compared with 2.9% in the same period last year. Decrease in gross profit margin was resulted from the written-down of inventories of HK$28,277,000. Excluding the effect of inventories written down, gross profit margin improved as a result of a range of new products including new models of high-end calculators and digital products were launched during the period with positive responses from the market. These products generate higher gross profit margin to the Group.

The major business segments of the Group are (i) consumer electronic products and (ii) electronic components and parts.

Consumer electronic products mainly include calculators, watches and clocks and other digital products which represented 79.9% of the Group's revenue. Revenue from sales of consumer electronic products substantially increased by HK$95,859,000 or 33.1% from HK$289,975,000 in the same period last year to HK$385,834,000 for the six months this period.

Sales of electronic calculators has accounted for 40.9% of the Group's turnover for the period and remained the largest business segment of the Group. Revenue for the period was HK$197,413,000, slightly improved by 0.5% compared with the same period last year. The business of high-end calculators continues to deliver a steady growth whereas low-end calculators business is deteriorated, showing a shift in consumers' preference. Thus, we will continue to focus on launching new models of calculators to maintain our market shares.

Revenue from sales of electronic watches and clocks was amounted to HK$65,570,000 and has accounted for 13.6% of the Group's total turnover for the period, a decrease of 4.2% compared with the same period last year.

Revenue from sales of digital products amounted to HK$103,679,000 and has accounted for 21.5% of the Group's total turnover for the period, a significantly rose by 1,568 times compared with the same period last year. This represented our great success in launching of e-book.

Electronic components and parts mainly comprised of Liquid Crystal Displays ("LCD"), Quartz, and Chip On Glass ("COG") and their respective revenue for the period were HK$25,956,000, HK$39,104,000 and HK$28,101,000. Aggregated revenue for the period decreased by HK$11,365,000 or 10.5% from HK$108,123,000 in the same period last year to HK$96,758,000 and has accounted for 20.0% of the Group's revenue.

Review of results and operation *(continued)*

The Group made a improvement on its operating results by minimising loss before taxation by HK$10,134,000 or 26.8% from HK$37,816,000 for the same period last year to HK$27,682,000 for the current period. The improvement was mainly attributable to implementation of proactive strategies to control costs.

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 2011, the total equity of the Group was approximately HK$804,693,000, represented a decrease of 0.7% of that at 30 September 2010. The Group's cash and cash equivalents stood at HK$69,251,000. The interest-bearing bank borrowings of the Group amounted to HK$179,853,000. 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 total equity, was 50.2%.

Capital structure

No repurchases of shares were made during the period. On 2 November 2009, 90,600,000 share options were granted to certain directors, associate of a director and employees of the Group. No share options were exercised or cancelled during the period, except as disclosed under the section headed "Share option scheme".

Pledge of assets

The Group's certain buildings of HK$9,575,000, certain prepaid land lease payments of HK$2,840,000 and time deposits of HK$59,637,000 of the Group, together with the corporate guarantees of the Company, are used to secure banking facilities of the Group. At 31 March 2011, such facilities were utilised to the extent of approximately HK$57,283,000.

Application of proceeds of share offer

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

Employees and remuneration policies

The Group employs approximately 9,000 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.

Foreign exchange and currency risks

Since most of the revenue generated from the sale of products and the payment for purchases of materials, components, equipment and salaries are either made in Hong Kong Dollar, Renminbi or US Dollar, financial instruments for hedging purposes is considered not necessary as the exposure to exchange rate fluctuations is minimal.

Purchase, sale or redemption of listed securities

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

Prospects

Looking forward to the second half of the financial year, recovery of global economy is expected to continue with many uncertainties. With the rapid development in the Mainland China, average wages for the labour increased continuously. It would therefore contribute towards stronger momentum of increasing labour costs. In additional, we expected the inflation in the Mainland China and the appreciation of Reminbi would continue to exist. The operating environment will be burdened with these factors.

During the period, the Group recorded a remarkable result in sales of e-book. This motivates us in continuing product innovation and modification. Digital consumer products become mainstream of the electronic business. To cope with the changing consumer's demand, new products will be launched such as wireless keyboard and wireless mouse.

Despite increase in sales of digital products during the period, the demand for electronic products, especially digital products, remains volatile and highly competitive. The Group expected possibilities of continuing challenges for the electronic business from such business environment in the second half of this financial year.

The Group will continue to implement stringent cost control and efficiency improvement measures to reduce our overall operating costs and will adjust its business strategies to meet the changes of economic environment. We will also seek to capture any favorable opportunities for prudent investment in order to ensure a continuous, stable and healthy growth, and generate greater value for the shareholders.

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 related to the preparation of the unaudited interim results for the period ended 31 March 2011.

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 six months ended 31 March 2011, 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 On Corporate Governance Practices *(continued)*

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

Non-executive Directors:
Wong Chun Ying
Wong Kim Seong

Independent Non-executive Directors:
So Day Wing
Wong Kun Kim
Kan Lai Kuen

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

Hong Kong, 27 May 2011