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## **SUNWAY INTERNATIONAL HOLDINGS LIMITED**

**新威國際控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**HKEX stock code: 58**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2010**

#### **HIGHLIGHTS**

- Consolidated revenue was HK\$981,860,000, compared to HK\$941,458,000 last year, representing an increase of 4.3%
- Loss attributable to owners of the Company was HK\$36,724,000, compared to HK\$172,569,000 last year, representing a decrease of 78.7%
- Basic loss per share amounted to 4 Hong Kong cents, compared to 17 Hong Kong cents last year, representing a decrease of 76.5%
- No final dividend was proposed for the year (2009: Nil)

\* For identification purposes only

The Board of Directors (the “Directors”) 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 2010, together with the comparative figures for 2009, as follows:

### Condensed Consolidated Income Statement

	<i>Note</i>	Year ended 30 September	
		2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
REVENUE	2	<b>981,860</b>	941,458
Cost of sales		<u>(911,520)</u>	<u>(996,752)</u>
Gross profit/(loss)		<b>70,340</b>	(55,294)
Other income		<b>10,647</b>	12,907
Other net gain		<b>815</b>	6,270
Selling and distribution costs		<b>(17,914)</b>	(14,212)
Administrative expenses		<b>(73,778)</b>	(61,896)
Other operating expenses		<b>(15,645)</b>	(47,944)
Finance costs	3	<b>(6,527)</b>	(7,951)
Share of (loss)/profit of a jointly-controlled entity		<u>(375)</u>	<u>599</u>
LOSS BEFORE TAX	3	<b>(32,437)</b>	(167,521)
Tax	4	<u>(4,287)</u>	<u>(5,048)</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u><b>(36,724)</b></u>	<u>(172,569)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6		
Basic and diluted		<u><b>(4 cents)</b></u>	<u>(17 cents)</u>

## Condensed Consolidated Statement of Comprehensive Income

	Year ended 30 September	
	2010	2009
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the year attributable to owners of the Company</b>	<b><u>(36,724)</u></b>	<b><u>(172,569)</u></b>
<b>Other comprehensive income/(loss) for the year (net of tax)</b>		
Exchange differences on translation of financial statements of foreign operations	<b>13,108</b>	–
Surplus/(deficit) on revaluation of property, plant and equipment	<b>27,120</b>	(7,238)
(Loss)/gain arising on change in fair value of available-for-sale investments	<b><u>(936)</u></b>	<b><u>1,803</u></b>
<b>Total comprehensive income/(loss) for the year attributable to owners of the Company</b>	<b><u>2,568</u></b>	<b><u>(178,004)</u></b>

## Condensed Consolidated Statement of Financial Position

	<i>Note</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>444,565</b>	419,642
Investment properties		<b>48,404</b>	48,450
Prepaid land lease payments		<b>69,801</b>	70,184
Interest in a jointly-controlled entity		<b>14,840</b>	14,985
Available-for-sale investments		<b>7,025</b>	7,337
Deposits paid for acquisition of property, plant and equipment		<b>651</b>	4,349
Total non-current assets		<b>585,286</b>	564,947
<b>CURRENT ASSETS</b>			
Inventories		<b>285,896</b>	222,643
Trade receivables	7	<b>196,409</b>	171,640
Prepayments, deposits and other receivables		<b>58,523</b>	33,225
Derivative financial instruments		–	556
Tax recoverable		<b>80</b>	80
Pledged time deposits		<b>27,058</b>	11,190
Cash and cash equivalents		<b>71,751</b>	98,728
Total current assets		<b>639,717</b>	538,062
<b>CURRENT LIABILITIES</b>			
Trade payables	8	<b>145,110</b>	121,672
Accrued liabilities and other payables		<b>39,081</b>	29,825
Due to a director		<b>293</b>	2,020
Due to a jointly-controlled entity		<b>22</b>	194
Interest-bearing bank borrowings		<b>172,573</b>	93,672
Tax payable		<b>30,028</b>	32,177
Total current liabilities		<b>387,107</b>	279,560
<b>NET CURRENT ASSETS</b>		<b>252,610</b>	258,502
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>837,896</b>	823,449
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		–	3,459
Deferred tax liabilities		<b>26,963</b>	13,515
Provision for long service payment		<b>690</b>	818
Total non-current liabilities		<b>27,653</b>	17,792
Net assets		<b>810,243</b>	805,657
<b>EQUITY</b>			
Share capital		<b>101,600</b>	101,600
Reserves		<b>708,643</b>	704,057
Total equity		<b>810,243</b>	805,657

Notes:

## 1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties, certain property, plant and equipment, available-for-sale investments and derivative financial instruments are stated at their fair value.

## 1.2 Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are first effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to HKFRS 2, HKAS 38, Paragraph 80 to HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfer of assets from customers

## 1.2 Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

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

The Group has not early applied any of the following new and revised standards, amendments and interpretations which have been issued but are not yet effective for annual periods beginning on 1 October 2009:

HKFRSs (Amendments)	Amendments to HKAS 1, 7, 17, 36 and 39 and HKFRS 5 and 8 as parts of improvements to HKFRSs issued in 2009 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>3</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>5</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>1</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>4</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>1</sup>
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets <sup>7</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>5</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases <sup>1</sup>

<sup>1</sup> Amendments that are effective for annual periods beginning on or after 1 January 2010.

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>7</sup> Effective for annual periods beginning on or after 1 July 2011.

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 anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated 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		Consumer electronic products		Other business		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>								
Revenue from external customers	<u>188,224</u>	<u>153,115</u>	<u>792,896</u>	<u>787,478</u>	<u>740</u>	<u>865</u>	<u>981,860</u>	<u>941,458</u>
<b>Reportable segment loss from operations</b>	<u>(5,662)</u>	<u>(29,665)</u>	<u>(28,418)</u>	<u>(142,242)</u>	<u>2</u>	<u>(42)</u>	<u>(34,078)</u>	<u>(171,949)</u>
Other income							<b>10,647</b>	12,907
Other net gain							<b>815</b>	6,270
Finance costs							<b>(6,527)</b>	(7,951)
Share of (loss)/profit of a jointly-controlled entity							<b>(375)</b>	599
Unallocated head office and corporate expenses							<b>(2,919)</b>	(7,397)
							<b>(32,437)</b>	<b>(167,521)</b>
Depreciation	<b>15,096</b>	22,880	<b>48,598</b>	38,461	<b>616</b>	556	<b>64,310</b>	61,897
Amortisation of prepaid land lease payments	–	–	–	–	<b>1,428</b>	1,428	<b>1,428</b>	1,428
(Reversal of write down)/write down of inventories	<b>(2,300)</b>	14,077	<b>(7,404)</b>	52,691	–	–	<b>(9,704)</b>	66,768
Allowance for doubtful debts	<u>1,155</u>	<u>7,424</u>	<u>4,420</u>	<u>39,516</u>	<u>(4)</u>	<u>58</u>	<u>5,571</u>	<u>46,998</u>
<b>Reportable segment assets</b>	<u>271,356</u>	<u>270,773</u>	<u>702,250</u>	<u>567,699</u>	<u>87</u>	<u>228</u>	<u>973,693</u>	<u>838,700</u>
<b>Reportable segment liabilities</b>	<u>28,767</u>	<u>20,834</u>	<u>134,646</u>	<u>127,574</u>	<u>4</u>	<u>91</u>	<u>163,417</u>	<u>148,499</u>
<b>Additions to property, plant and equipment (i.e., non-current assets other than financial assets and deferred tax assets)</b>	<u>9,969</u>	<u>4,800</u>	<u>32,092</u>	<u>24,716</u>	<u>–</u>	<u>3,564</u>	<u>42,061</u>	<u>33,080</u>

## 2. Revenue and segment information (continued)

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Revenue</b>		
Consolidated turnover	<u>981,860</u>	<u>941,458</u>
<b>Loss</b>		
Total reportable segments' loss	<u>(34,078)</u>	<u>(171,949)</u>
Reportable segment loss derived from Group's external customers	(34,078)	(171,949)
Share of (loss)/profit of a jointly-controlled entity	(375)	599
Interest income	2,297	5,872
Other revenue and net income	9,165	13,305
Finance costs	(6,527)	(7,951)
Unallocated head office and corporate expenses	<u>(2,919)</u>	<u>(7,397)</u>
Consolidated loss before taxation	<u>(32,437)</u>	<u>(167,521)</u>
<b>Assets</b>		
Total reportable segments' assets	<u>973,693</u>	<u>838,700</u>
	973,693	838,700
Interest in a jointly-controlled entity (accounted for by the equity method) (Note 1)	14,840	14,985
Unallocated head office and corporate assets	229,445	241,987
Available-for-sale investments	<u>7,025</u>	<u>7,337</u>
Consolidated total assets	<u>1,225,003</u>	<u>1,103,009</u>
<b>Liabilities</b>		
Total reportable segments' liabilities	<u>(163,417)</u>	<u>(148,499)</u>
	(163,417)	(148,499)
Unallocated head office and corporate liabilities	(194,352)	(103,161)
Current tax liabilities	(30,028)	(32,177)
Deferred tax liabilities	<u>(26,963)</u>	<u>(13,515)</u>
Consolidated total liabilities	<u>(414,760)</u>	<u>(297,352)</u>

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		Mainland China		Other Asian countries*		American countries**		European countries***		African countries****		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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	51,986	72,416	234,952	176,830	212,947	143,890	325,674	255,826	119,523	206,937	36,778	85,559	981,860	941,458
Specified non-current assets *****	29,744	9,332	548,517	548,278	-	-	-	-	-	-	-	-	578,261	557,610

\* 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.

## 3. Loss before tax

	2010 HK\$'000	2009 HK\$'000
<b>(a) Finance costs:</b>		
Interest on bank loans wholly repayable within five years	6,527	7,951
Total interest expense on financial liabilities not at fair value through profit or loss	6,527	7,951
<b>(b) Employee benefits expense (excluding directors' emoluments):</b>		
Pension scheme contributions (defined contribution schemes)*	5,849	7,591
(Reversal of)/provision for long service payment	(83)	64
Share-based payments	1,128	-
Salaries, wages and allowances	204,650	182,712
	211,544	190,367

### 3. Loss before tax (continued)

	2010 HK\$'000	2009 HK\$'000
<b>(c) Other items:</b>		
Cost of inventories sold	911,520	996,752
Depreciation	64,310	61,897
Amortisation of prepaid land lease payments	1,428	1,428
Minimum lease payments under operating leases in respect of land and buildings	3,351	1,035
Auditor's remuneration	970	890
Rental income	(3,410)	(2,845)
(Reversal of write down)/write down of inventories	(9,704)	66,768
Allowance for doubtful debts	5,571	46,998
Foreign exchange difference, net	62	876
(Gain)/loss on disposal of derivative financial instruments	(67)	2,059
Loss on disposal of property, plant and equipment	–	986
Loss arising on changes in fair value of derivative financial instruments	–	133
Loss/(gain) arising on changes in fair value of investment properties	797	(6,270)
Deficit on revaluation of property, plant and equipment	–	69
	<u>          </u>	<u>          </u>

The cost of inventories sold includes reversal of write down of inventories of approximately HK\$9,704,000 (2009: write down of inventories HK\$66,768,000) and aggregate employee benefits expense, depreciation and recognition of prepaid land lease payments of approximately HK\$247,631,000 (2009: HK\$227,183,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

\* As at 30 September 2010, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2009: HK\$Nil).

### 4. Tax

	Group	
	2010 HK\$'000	2009 HK\$'000
Current tax – Mainland China		
Charge for the year	4,187	1,332
(Over)/under-provision in respect of previous years	(695)	924
Deferred tax	<u>795</u>	<u>2,792</u>
	<u>4,287</u>	<u>5,048</u>

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 year (2009: 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 5th Session of the 10th National People's Congress approved the Corporate Income Tax Law of the PRC (the "New Corporate Income Tax Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 7 December 2007, which has been effective from 1 January 2008. According to the New Corporate Income Tax Law, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008. Foreign enterprises which are entitled to special incentives will be given concessions throughout a 5-year transition period and the applicable rate will increase progressively to 25%. The Group's subsidiaries located in Mainland China were subject to corporate income tax at a rate of 20% commencing on 1 January 2009 which will increase progressively to 25%.

#### 4. Tax (continued)

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the region in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss before tax	<u>(32,437)</u>	<u>(167,521)</u>
Tax at statutory tax rate	(6,490)	(39,730)
Lower tax rate for specific province or local authority	387	7,066
Share of tax attributable to jointly-controlled entity	–	244
Income not subject to tax	(2,247)	(6,277)
Expenses not deductible for tax	10,413	40,655
(Over)/under-provision in respect of previous years	(694)	924
Tax losses not recognised	2,314	2,050
Effect of change in tax rates	<u>604</u>	<u>116</u>
Tax charge for the year	<u>4,287</u>	<u>5,048</u>

The share of tax attributable to the jointly-controlled entity amounting to HK\$137,000 (2009: HK\$244,000) is included in “share of (loss)/profit of a jointly-controlled entity” on the face of the consolidated income statement.

#### 5. Dividends

The directors do not recommend the payment of a final dividend in respect of 2009/10. (2008/09: Nil)

#### 6. Loss per share attributable to owners of the Company

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the Company of approximately HK\$36,724,000 (2009: HK\$172,569,000) and 1,016,001,301 (2009: 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 2010 and 2009 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

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	242,861	213,780
Less: Allowance for doubtful debts	<u>(46,452)</u>	<u>(42,140)</u>
	<u>196,409</u>	<u>171,640</u>

## 7. Trade receivables (continued)

### 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:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Current to 3 months	155,737	168,535
4 to 6 months	36,556	1,257
7 to 12 months	4,116	201
Over 1 year	–	1,647
	<u>196,409</u>	<u>171,640</u>

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.

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

Impairment 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:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Balance at beginning of the year	42,140	68,951
Impairment losses recognised on receivables	3,600	35,805
Amounts written off during the year as uncollectible	–	(62,367)
Amounts recovered during the year	–	(249)
Exchange realignment	712	–
	<u>46,452</u>	<u>42,140</u>

## 7. Trade receivables (continued)

At 30 September 2010, the Group's trade receivables of HK\$196,409,000 (2009: HK\$171,640,000) 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\$66,066,000 (2009: HK\$39,863,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

	<b>Group</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Neither past due nor impaired	<b>130,343</b>	131,777
Within 3 months past due	<b>25,394</b>	36,758
4 to 6 months past due	<b>36,556</b>	1,257
7 to 12 months past due	<b>4,116</b>	201
Over 1 year past due	–	1,647
	<b>196,409</b>	171,640

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.

## 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:

	<b>Group</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Due less than 3 months or on demand	<b>124,683</b>	101,113
Due from 4 to 6 months	<b>9,774</b>	7,122
Due from 7 to 12 months	<b>3,907</b>	6,633
Due over 1 year	<b>6,746</b>	6,804
	<b>145,110</b>	121,672

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 2010 increased by 4.3% to HK\$981,860,000, compared to HK\$941,458,000, reported last year. Gross profit for the year was HK\$70,340,000, compared to gross loss of HK\$55,294,000 last year. Apart from absent of the effect of provision for obsolescent made last year, selling price of various products has generally increased and sales performance of those higher profit margin products such as, e-book, improved. As a result, gross profit was increased by HK\$125,634,000.

Net loss of the Group was also improved by HK\$135,845,000 to HK\$36,724,000 for the year ended 30 September 2010 compared to HK\$172,569,000 last year.

Turnover of electronic calculators was HK\$454,970,000 representing a decrease by 12.7% compared to HK\$520,876,000 last year. Sales of electronic calculators contributed 46.3% of the Group's turnover for the year and remained to be the largest business segment of the Group. We continued in launching new models of high-end electronic calculators this year. However, the demand of low-end electronic calculators dropped during the year. Also, we were more focusing on the development of digital products with higher profit margin which resulted in dropped of sales in electronic calculators.

Sales of electronic watches and clocks increased by 16.2% to HK\$151,213,000 compared to HK\$130,079,000 last year. It accounted for 15.4% of the Group's total turnover for the year. The growth in sales of this segment was contributed by launching new models of electronic watches and clocks.

Telephone products recorded a turnover of HK\$31,139,000, dropped by 67.1% compared to HK\$94,647,000 last year. It represented 3.2% of the Group's turnover for the year. Competition in telephone market is high in recent years, therefore, the Group is more focus on other segments and caused a significant drop in the turnover of this section.

Sales of digital products amounted to HK\$155,574,000, increased by 2.7 times compared to HK\$41,875,000 last year. It represented 15.8% of the Group's turnover for the year. With the recovering market condition, demand of digital products from American and Asian countries increased. Also, the Group launched various new models of digital product, such as digital photo frame and e-book, this year which contributed to the growth in sales of this segment.

Revenue from liquid crystal displays ("LCD") was HK\$79,144,000, under steady growth compared to HK\$78,343,000 last year. It represented 8.1% of the Group's turnover for the year.

Finance costs were HK\$6,527,000 due to the cost of financing for our operations in China.

## **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 Mainland China. At 30 September 2010, the total shareholders' equity of the Group was approximately HK\$810,243,000, an increase of 0.6% over last year. The Group's cash and bank balances and time deposits stood at HK\$98,809,000. The Group's bank loans were HK\$167,848,000 and trust receipt loans were HK\$4,725,000 this year. 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 51.2%. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

## **Capital Structure**

No repurchases of shares were made during the year. On 2 November 2009, 90,600,000 share options were granted to certain directors and employees of the Group. During the year, 500,000 share options were lapsed and no share options were exercised.

## **Pledge of Assets**

The Group's certain leasehold land and buildings of HK\$12,314,000 and time deposits of HK\$27,058,000, together with personal guarantees given by the directors of the Company and the corporate guarantees given by the Company are used to secure banking facilities for the Group. At 30 September 2010, such facilities were utilised to the extent of approximately HK\$17,795,000.

## **Applications 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 has 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 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**

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.

## **Contingent Liabilities**

At 30 September 2010, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to a subsidiary of the Company amounting to HK\$58,000,000.

## **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 year.

## **Prospects**

After the drastic contraction in the past two years, the worldwide economy is anticipated to be in a better shape in the coming year. Looking ahead, we see opportunities as well as challenges in the market as we expected the continuing appreciation of the Renminbi, inflation in PRC and another financial crisis in European countries.

During the year, LED talking clock was launched with favourable feedback from the market. Continuing development and launchment of new products to cope with the market needs and production of high-quality products are always essential for the Group to maintain its competitive and market shares.

We remain confident that our existing businesses will continue to improve the results. A number of our products, including high-end calculators and digital consumer products are expected to achieve satisfactory growth in the coming year.

In the coming year, the Group will continue to innovate new products and develop new models of high-end calculators and digital consumer products such as e-book, tablet personal computer, digital photo frame, camera and LED products, etc.

Meanwhile, the Group will also continue to expand its current sales and distribution network in PRC, with a view to increasing its domestic sales to capture additional market shares. We will also seek opportunities for co-operation with the world's leading calculator brands for the OEM business which would generate synergy effects with the Group.

While the Group will continue to implement cost control measures to improve further its overall operational efficiency, we will also seize expansion opportunities arising from the market turnaround with a view to improve its profitability. We believe we can overcome the challenges and improve every aspect of our operation in the coming year.



## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Thursday, 24 February 2011 to Thursday, 3 March 2011 both dates inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend and 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, 23 February 2011.

## **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 2010 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 of directors 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 2010, 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 directors of  
**Sunway International Holdings Limited**  
**Wong King Ching, Helen**  
*Chairman*

Hong Kong, 26 January 2011

*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.*