

Sunway Group was able to maintain a stable turnover and a healthy albeit a reduced rate of profitability in the financial year ended 30 September 2000, in an extremely challenging and fiercely competitive market for local manufacturers of electronic products, telecommunications equipment and timepiece movements. During the year, our Group has exerted ongoing efforts in investing in new manufacturing facilities and equipment, strengthening its own Sunway brand name, tying up with market leaders in telecommunications equipment, upgrading its product mix, sparing no effort on building up its core business of making calculators, liquid crystal display panels and quartz crystal, making strategic investments as well as pursuing a forward-looking business plan.

### BUSINESS REVIEW AND LOOKING AHEAD

On behalf of the Board of Directors of Sunway International Holdings Limited and its subsidiaries (the "Group"), I hereby present the Group's annual results and performance for the year under review.

The previous year was a period of business realignments and repositioning and the Group was faced with a very difficult operating environment. The Group's turnover was slightly down to HK\$1,094,273,000 compared to HK\$1,178,783,000 last year with profit attributable to shareholders down to HK\$101,236,000 from HK\$270,780,000 of the previous year. This is due to a combination of factors including overall industry drop in market prices for traditional items such as calculators, deployment of resources to build up new facilities resulting in pre-operating expenses, and management's decision to scale down the manufacturing of traditional timepiece movements. Improvements in performance are expected for the future as these business repositioning strategies help to put the Group in a healthy and strong shape ready for new phases of development in the coming years.

### CALCULATORS AND PDAS

As one of the leading local electronic device manufacturers, the Group is continuing to make effort to reposition itself to meet rapidly changing customer demand and tremendous advancement of technological development to maintain its market position and market share. To retain its top market position, in particular, in the PRC, which continues to provide the Group with a steady core income source, it had to temporarily reduce its profit margin to maintain its competitiveness and market share. This tactic has worked and the Group manages to increase its market share and turnover from HK\$490,085,000 of last year to HK\$528,426,000 for the year under review while at the same time a number of our competitive manufacturers have been forced out of business by the extremely harsh operating environment. The Board is confident that with fewer players in the market, the Group will achieve better performance for next year.





### **CALCULATORS AND PDAS** *(continued)*

Marketing efforts have also been stepped up to further enhance the image of its own "Sunway" brand name, which has already become well established in the PRC, by maximizing the Group's extensive distribution network of 21 agents spread throughout major provinces and cities on the Mainland. This distribution network is expected to continue to generate a steady stream of income for the Group.

In addition to traditional calculators, the Group will commence the development of high-end electronic products, including launching its own brand of personal data assistants ("PDAs"). An initial lot of 20,000 PDAs will be produced in the coming year, for distribution through its 21 agents in the Mainland. Management will closely monitor the market response to this line of product. It is anticipated that with booming demand for PDAs across China, it will develop a second-generation product with enhanced features. Management is confident that this product line will form a new and steady income source for the Group in future years.

### **LCD AND QUARTZ CRYSTAL**

During the year, the Group invested in building new facilities and installing equipment to expand the capacity for the production of liquid crystal display ("LCD") panels and quartz crystal. The performance for this operation has been stable despite a difficult market. In view of the growing global demand for electronic consumer products which use LCD and quartz crystal as components, the Group is planning to increase its production capacity to meet such demand. The operation managed to contribute HK\$101,001,000, or approximately 9.2% of the Group's total turnover. Management is optimistic about the future performance of this operation, and will increase its capacity in phases, in tandem with market demand.

### **TELECOMMUNICATIONS EQUIPMENT**

To capitalise on the strong worldwide growth of demand for telecommunications equipment, the Group has taken a 40% interest in a joint venture, Taiwan Communication (Fujian) Co. Ltd. ("Taiwan Communication") with the Group's partner, Taiwan Telecommunication Investment Co. Ltd., a major Taiwanese manufacturer of telecommunications equipment, taking the balance.

**TELECOMMUNICATIONS EQUIPMENT** *(continued)*

This joint venture commenced operation in January 1999 and has progressed satisfactorily as management has expected, turning out about 20,000 fax machines monthly under the NEC brand name. It is working on getting new business orders from other major brand names including Toshiba.

The Group is also developing through Taiwan Communication a new telephone product line including visual phones and Internet phones. With R&D in process and test run scheduled as planned, mass production of the telephone series is expected to commence by the second half of the year and to contribute to the overall income of the Group.

**IC TRADING**

Due to the falling prices of integrated circuits ("IC"), this trading operation recorded a drop in both turnover and gross profit in the year under review, amounting to approximately HK\$43,303,000 and HK\$8,400,000, respectively. In view of the prospects of the trade in the long-term, the Group has proceeded to acquire a 5.4% interest in Angstrom Joint Stock Company ("Angstrom"), a Russian open joint stock company. The acquisition is expected to be concluded in the first quarter of 2001, a delay of some 18 months, due to Angstrom's internal reorganisation. Angstrom is a leading producer of IC in Russia, and the Group's holding of a minority interest in Angstrom will fulfill part of the Group's plan to cement its relationship with a major IC producer in order to ensure a stable supply. With this in place, management expects its IC operation to develop in line with global trends and anticipates better results in the coming year.

**TIMEPIECE MOVEMENTS**

To redress the significant decline in the market for traditional, lower-end watch movements in recent years, management has decided to scale back on this operation to allocate its resources and facilities to a new line of higher-margin, multi-function movements. The programme is still in its development stage but it is envisaged it will bring significant contributions in the long term as it facilitates the Group to tap into the higher-end market.



## FINAL NOTE AND APPRECIATION

The Board is confident that with successful joint ventures, realignment of its core businesses, the making of appropriate investments as well as the timely implementation of appropriate repositioning and diversification plans, it will be able to ride on the recovery of the market for calculators, LCDs and quartz crystals. This will not only improve the long term results for the Group, it will also achieve better value and return for the shareholders as the Group continues to remain one of the leading manufacturers and distributors of good quality and high value electronic products which will meet the needs and demands of the Group's customers everywhere.

Finally, I would like to thank members of the Board and all our staff for all their hard work and unreserved dedication. Of course, our biggest thanks will be to our shareholders, customers and suppliers all of whom are critical to our continued success.

Wong Choi Kam  
*Chairman*

Hong Kong  
22 January 2001

