

CHAIRMAN'S STATEMENT

Global economic downturn presented a very challenging operating environment to business enterprises. Sunway took the opportunity to spruce up its strengths and competitive edges by re-visiting and re-focusing its business strategy, product portfolio, and production capacity. This organization evolution is critical in fully equipping Sunway to maximize its potential, grow form strength to strength, and optimize business performance. The Board believes that Sunway is now well poised to seize on every emerging opportunity in the coming financial year and beyond.

For and 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.

Sunway continued to devote much its efforts and resources into strategic business re-positioning and tactical refinement of its product portfolio in the fiscal year of 2001. The board believes that this market-driven approach is particularly critical to ensure the Group's competitiveness in an increasing competitive operating environment.

The Group staged the successful launch of a new brand name, "Kenko", in February 2001, primarily for products targeting markets in North and South America. The premium product quality of both "Kenko" and the previously introduced "Gavao" won both brands the much-coveted "Most Satisfied Product" honor from the End-users' Association of Fujian Province. Inevitably, the tributes also reflect the effectiveness of the Group's intensive marketing initiatives, customer relations and brand building efforts.

The self-developed "Kenko" and "Gavao" brands further spearhead the Group's transition from an ODM-based operation to a brand-driven enterprise. The strategic move not only helps generate a higher margin for the Group, but also crystallize a pro-active corporate image.

During the year, the Group continued to broaden its business development activities and foster relationships with certain major sourcing companies. Prospects in cementing long-term relationships with key buyers are promising.

On product development and production front, the Group's calculators plant was complimented for producing "The Nation's Most Trusted and Best Quality Brand-name in Electronic Calculators" by China's Technical Supervision Intelligence Association. The endorsement further recognizes the sophistication of the Group's production facilities and capabilities. During the year, a series of new products was launched to capitalize on prevailing demands in different markets and segments. They included double-line display calculators, scientific calculators for secondary schools, and the highly successful Euro-conversion calculators that were instrumental in building a presence for the Group in Europe's consumer market.

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The Group continued to expand the production capacity for liquid crystal display ("LCD") panels and quartz crystal, the two essential components for electronic consumer products. Already in the pipeline is the addition of one production line for the launch of 14" x 16" LCD screen in 2002. This sizeable LCD product commands sophisticated technology and is targeted at the upper user brackets. This new production line will jumpstart the Group's LCD production capability into becoming the largest in China, from the incumbent No. 3 rank.

The tactic to aim for the mid-to-high-end product segments was also evident in the production of quartz crystal. There is an ongoing shift to produce quartz crystal of high frequency and the planned production line for 3mm x 9mm high-frequency quartz crystal is expected to commence operation by the second half of 2002.

In line with the Group's corporate strategy to diversify from the traditional calculators market, and also to move towards the production of more sophisticated products, the Group launched its own brand of personal data assistants ("PDA") for the China market in the year under review. While reinforcing this strategy, the Group plans to re-position its product mix in 2002 to overcome the fiercely competitive business PDA market.

Leveraging on the Group's strong R&D resources, mould making and production capabilities, a new line of competitively priced electronic dictionary is under intensive development. Initially, there will be three to four models, and the very first model will contain a database of 80,000 words and is ready for launch at appropriate time in 2002. Closely following that, a higher-end real-voice model will also be introduced.

The Board believes that as Chinese people become increasingly international in the lead up to China's WTO entry and the 2008 Beijing Olympic Games, there will be a strong surge in the demand for electronic dictionary.

Looking ahead, the Board is confident that the Group's strategic business re-positioning, tactical product portfolio refinement and intensive market-driven pursuits will place the Group in a more advantageous position to gauge changing demands and capitalize on emerging opportunities. The Group anticipates positive returns from capital investments in new products, production facilities and brand building activities. Although global economic downturn may present a temporary stumbling block to the Group's development path, the Board is confident of the Group's resilience in tough market conditions and the ability to reap and rebound remarkably from the first very sign of economic recovery.

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We would like to extend our appreciation to the support of our investors, especially in such difficult times. Their interests remain firmly in our hearts and we will continue to strive for better value and return. We are also heartened by the dedication of our employees. A staff loyalty program will be rolled out to cultivate an inspirational corporate culture and to sustain high morale. Last but not least, we would like to thank our customers and suppliers for their longstanding contribution to the Group's success.

Wong Choi Kam

Chairman