



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present Sunway International Holdings Limited's annual report for the year ended 30 September 2006.

It is a milestone year for the Group as the turnover for the year ended 30 September 2006 has gone over HK\$1 billion. The Group's turnover rose 7.5% compared with last year to HK\$1,027,607,000. Product advancement, aggressive sales and marketing effort, effective distribution network and ongoing product innovation are critical for sustaining our business growth.

Nonetheless, the operating environment during the year remained uniquely challenging and demanding. Crude oil and material prices stayed at high level throughout the year and fluctuation in material prices affected the Group's gross profit margin. Surge in oil price made the business environment become more volatile. Operating costs increased due to increase in labor costs, higher utility costs and the appreciation in Chinese yuan. Severe price competition in the market also eroded our profit margin.

The Group's investment in Chip-on-glass (COG) technology for producing advanced LCD module has borne fruit this year. The sales for LCD products jumped by 88.1% compared with last year. The continuous upgrading of STN-LCD production lines would enlarge and improve the production scale in order to cope with the increasing demand in LCD products.

Growth in sales of telephone remained strong throughout the year. The launching of multifunctional corded and cordless telephone yielded satisfactory results. We have dedicated our efforts in delivering high quality telephone products to the market. We expected that there was potential for further revenue growth in this business segment in the future.

The new production plant in Henan has started operation during the year. The factory gets around 2,000 workers and is mainly for the production of consumer electronic products. The plant can improve the overall production capacity of consumer electronic products. The new plant enjoys lower labor cost as compared with the plant in Putian since there is abundant supply of labor in Henan. We believe that it can derive additional economies of scales and improve our cost effectiveness and competitiveness.

The Group has also implemented cost saving policies through more effective material sourcing process. The transition of plastic material sourcing to China can reduce our cost of raw materials as well as transportation cost. We hope that this can further reduce our cost of manufacturing and ease the pressure of high material costs.

Beside cost control, the Group is committed to invest in research and development. The Group continues to seek new business opportunity which is leveraged from new products and new markets. During the year, we have invested in the development in mobile phone which is expected to be launched in the coming year. To enrich our product range, we have also invested in the development of high-end calculators. We will cooperate with well-established brands of consumer electronic products manufacturers to produce new OEM high-end calculators. The Group will continue to invest in research and development in order to maintain our competitiveness in the market.

We have strengthened our sales and marketing teams in Mainland China as well as in Hong Kong in a view to maintain our market leading position of our core business. The Group's endeavour in cultivating new customers and new products will enhance business growth and development.



CHAIRMAN'S STATEMENT *(Continued)*

Our focus on the core manufacturing business remains and we will continue to invest in suitable projects that diversify our product categories and allow us to tap into a variety of market segments.

On behalf of the board, I would like to extend my gratitude to management and staff of all levels for their dedication and contributions in the past year. I would also like to express my appreciation to our customers, suppliers, business associates and shareholders for their continuous supports.

Wong King Ching, Helen

Chairman

Hong Kong

25 January 2007