



SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 00058

Interim Report 2012

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 2012 (the "period"), together with the comparative figures for the previous corresponding period as follows:

CONSOLIDATED INCOME STATEMENT

		(UNAUDITED)	
		Six months ended 31 March	
	Notes	2012 HK\$'000	2011 HK\$'000
Revenue	3	365,542	483,057
Cost of sales		(407,114)	(470,969)
Gross (loss)/profit		(41,572)	12,088
Other income		12,538	10,362
Selling and distribution costs		(5,772)	(9,754)
Administrative expenses		(45,493)	(32,876)
Other operating expenses		(123)	(2,412)
Loss from operations		(80,422)	(22,592)
Finance costs		(11,674)	(3,812)
Share of loss of a jointly-controlled entity		(659)	(1,278)
Loss before taxation	4	(92,755)	(27,682)
Income tax	5	(1,711)	–
Loss for the period attributable to owners of the Company		(94,466)	(27,682)
Interim dividend	6	Nil	Nil
Loss per share attributable to owners of the Company	7		
– Basic and diluted		(10 cents)	(3 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(UNAUDITED)	
	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	(94,466)	(27,682)
Other comprehensive income for the period (net of tax)		
Exchange differences on translation of financial statements of foreign operations	7,429	19,926
Gain arising on change in fair value of available-for-sale investments	669	180
Total comprehensive loss for the period attributable to owners of the Company	(86,368)	(7,576)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(UNAUDITED) 31 March 2012 HK\$'000	(AUDITED) 30 September 2011 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		435,529	457,304
Investment property		57,225	56,712
Prepaid land lease payments		68,284	68,572
Interest in a jointly-controlled entity		12,891	13,428
Available-for-sale investments		6,037	5,368
Deposits paid for acquisition of property, plant and equipment		119	–
Total non-current assets		580,085	601,384
CURRENT ASSETS			
Inventories		237,743	270,255
Trade receivables	9	116,009	158,599
Prepayments, deposits and other receivables		90,531	50,942
Pledged time deposits		45,981	85,626
Tax recoverable		80	80
Cash and cash equivalents		150,874	223,607
Total current assets		641,218	789,109
CURRENT LIABILITIES			
Trade payables	10	96,544	115,091
Accrued liabilities and other payables		18,615	47,841
Derivative financial instruments		1,313	1,301
Due to a director		1,334	575
Due to a jointly-controlled entity		234	232
Interest-bearing bank borrowings		336,821	375,011
Tax payable		29,020	28,765
Total current liabilities		483,881	568,816
NET CURRENT ASSETS		157,337	220,293
TOTAL ASSETS LESS CURRENT LIABILITIES		737,422	821,677
NON-CURRENT LIABILITIES			
Deferred tax liabilities		36,253	36,175
Provision for long service payment		742	626
Total non-current liabilities		36,995	36,801
Net assets		700,427	784,876
EQUITY			
Share capital	11	101,600	101,600
Reserves		598,827	683,276
Total equity		700,427	784,876

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 March 2012

	Share capital	Share premium account	Contributed surplus	Capital redemption reserve	Share option reserve	Revaluation reserve	Exchange fluctuation reserve	Reserve fund	Fair value reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2011	101,600	177,325	56,471	509	4,032	94,887	229,482	12,928	(790)	108,432	784,876
Exchange differences on translation of the financial statements of foreign operations	-	-	-	-	-	-	7,429	-	-	-	7,429
Gain arising on change in fair value of available-for-sale investments	-	-	-	-	-	-	-	-	669	-	669
Total other comprehensive income for the period	-	-	-	-	-	-	7,429	-	669	-	8,098
Loss for the period	-	-	-	-	-	-	-	-	-	(94,466)	(94,466)
Total comprehensive loss for the period	-	-	-	-	-	-	7,429	-	669	(94,466)	(86,368)
Recognition of equity-settled share-based payments	-	-	-	-	1,919	-	-	-	-	-	1,919
At 31 March 2012	101,600	177,325	56,471	509	5,951	94,887	236,911	12,928	(121)	13,966	700,427

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 March 2011

	Share capital	Share premium account	Contributed surplus	Capital redemption reserve	Share option reserve	Revaluation reserve	Exchange fluctuation reserve	Reserve fund	Fair value reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2010	101,600	177,325	56,471	509	2,007	72,294	189,565	12,928	867	196,677	810,243
Exchange differences on translation of the financial statements of foreign operations	-	-	-	-	-	-	19,926	-	-	-	19,926
Gain arising on change in fair value of available-for-sale investments	-	-	-	-	-	-	-	-	180	-	180
Total other comprehensive income for the period	-	-	-	-	-	-	19,926	-	180	-	20,106
Loss for the period	-	-	-	-	-	-	-	-	-	(27,682)	(27,682)
Total comprehensive loss for the period	-	-	-	-	-	-	19,926	-	180	(27,682)	(7,576)
Recognition of equity-settled share-based payments	-	-	-	-	2,026	-	-	-	-	-	2,026
At 31 March 2011	101,600	177,325	56,471	509	4,033	72,294	209,491	12,928	1,047	168,995	804,693

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(UNAUDITED)	
	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(61,135)	28,761
Net cash generated from/(used in) investing activities	24,084	(44,821)
Net cash (used in)/generated from financing activities	(38,349)	3,181
Net decrease in cash and cash equivalents	(75,400)	(12,879)
Cash and cash equivalents at the beginning of the period	223,607	71,751
Effect of foreign exchange rate changes, net	2,667	10,379
Cash and cash equivalents at the end of the period	150,874	69,251
Analysis of balances of cash and cash equivalents		
Cash and bank balances	150,874	69,251

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

1.1 Basis of preparation

The condensed consolidated financial statements for the six months ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a jointly-controlled entity.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity.

These financial statements are presented in Hong Kong dollars ("HK\$"), rounded to the nearest thousand except for per share data. Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK\$.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies described in the Annual Report 2011:

- investment property
- certain property, plant and equipment
- available-for-sale investments
- derivative financial instruments

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("HKFRSs") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1. Basis of preparation and principal accounting policies (continued)

1.2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKAS 27 and HKFRS 3
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement

The application of these new and revised HKFRSs in the current period has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

The Group has not early applied any of the following new and revised HKFRSs that have been issued but are not yet effective for annual periods beginning on 1 October 2011:

HKFRS 1 (Amendments)	Government Loans ³
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ³
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ¹
HKAS 19 (as revised in 2011)	Employee Benefits ³
HKAS 27 (as revised in 2011)	Separate Financial Statements ³
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ³
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ⁴
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ³

¹ Effective for annual periods beginning on or after 1 January 2012.

² Effective for annual periods beginning on or after 1 July 2012.

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

⁴ Effective for annual periods beginning on or after 1 January 2014.

⁵ Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment on the impact of application of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2. Segment information

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

The Group has identified the following three reporting segments. These segments are managed separately.

- (a) the electronic components and parts segment consists of the design, development, manufacture and sale of electronic and related components and parts;
- (b) the consumer electronic products segment consists of the design, development, manufacture and sale of consumer electronic products; and
- (c) the trading segment consists of the trading of integrated circuits and computer components and accessories.

Since (c) individually do not meet the quantitative thresholds to be separately reported, (c) is reported under "Other business".

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Annual Report 2011. Segment loss represents the loss from each segment without allocation of central administration costs, share of result of a jointly-controlled entity, other income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Taxation charge is not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

No sales is carried out between segments. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the profit or loss.

All assets are allocated to reportable segments other than interest in a jointly-controlled entity, available-for-sale investments cash and bank deposits and unallocated head office and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and all liabilities are allocated to reportable segments other than current tax liabilities, deferred tax liabilities, bank loans and unallocated head office and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

2. Segment information (continued)

(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	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31 March		31 March		31 March		31 March	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Revenue from external customers	86,819	96,758	278,623	385,834	-	465	365,542	483,057
Reportable segment (loss)/profit from operations	(27,231)	(6,585)	(63,646)	(24,161)	-	23	(90,877)	(30,723)
Other income							12,538	10,362
Finance costs							(11,674)	(3,812)
Share of loss of a jointly-controlled entity							(659)	(1,278)
Unallocated head office and corporate expenses							(2,083)	(2,231)
Loss before taxation							(92,755)	(27,682)
Additions to property, plant and equipment	4,703	2,841	10,922	9,716	-	-	15,625	12,557
Amortisation of prepaid land lease payments	273	165	635	566	-	-	908	731
Depreciation	12,362	7,416	28,706	25,369	343	266	41,411	33,051
Written down of inventories	11,008	6,397	25,562	21,880	-	-	36,570	28,277

	Electronic components and parts		Consumer electronic products		Other business		Total	
	31 March		31 March		31 March		31 March	
	31	30	31	30	31	30	31	30
	March	September	March	September	March	September	March	September
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	270,951	270,759	592,526	649,490	-	39	863,477	920,288
Reportable segment liabilities	23,757	20,899	82,365	105,588	-	7	106,122	126,494

2. Segment information (continued)

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

	Six months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Revenue		
Consolidated turnover	365,542	483,057
Loss		
Total reportable segments' loss	(90,877)	(30,723)
Reportable segment loss derived from Group's external customers	(90,877)	(30,723)
Other income	12,538	10,362
Finance costs	(11,674)	(3,812)
Share of loss of a jointly-controlled entity	(659)	(1,278)
Unallocated head office and corporate expenses	(2,083)	(2,231)
Consolidated loss before taxation	(92,755)	(27,682)

2. Segment information (continued)

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

	31 March 2012 HK\$'000	30 September 2011 HK\$'000
Assets		
Total reportable segments' assets	863,477	920,288
	863,477	920,288
Available-for-sale investments	6,037	5,368
Cash and bank deposits	196,855	309,233
Interest in a jointly-controlled entity (accounted for by the equity method) (Note 1)	12,891	13,428
Unallocated head office and corporate assets	142,043	142,176
Consolidated total assets	1,221,303	1,390,493
Liabilities		
Total reportable segments' liabilities	106,122	126,494
	106,122	126,494
Bank loans	336,821	369,036
Deferred tax liabilities	36,253	36,175
Tax payable	29,020	28,765
Unallocated head office and corporate liabilities	12,660	45,147
Consolidated total liabilities	520,876	605,617

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. 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, investment property and prepaid land lease payment.

	Hong Kong		Mainland China		Other Asian countries*		American countries**		European countries***		African countries****		Consolidated	
	Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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	12,899	9,893	117,599	110,875	91,140	95,399	85,395	209,885	41,775	37,954	16,734	19,051	365,542	483,057
	31	30	31	30	31	30	31	30	31	30	31	30	31	30
	March	September	March	September	March	September	March	September	March	September	March	September	March	September
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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 *****	16,275	16,587	544,882	566,001	-	-	-	-	-	-	-	-	561,157	582,588

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

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

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

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

***** Specified non-current assets excluded available-for-sale investments and interest in a jointly-controlled entity.

(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	
	2012	2011
	HK\$'000	HK\$'000
Consumer electronic products — Customer A	N/A¹	121,590

¹ The corresponding revenue does not contribute over 10% of the total turnover of the Group.

3. Revenue

The principal activities of the Group are manufacturing and sale of electronic products, electronic components and parts, computer components and accessories and integrated circuits. Revenue, which is also the Group's turnover, represents the net invoiced value of good sold, after allowances for returns and trade discounts.

4. Loss before taxation

		Six months ended 31 March	
		2012	2011
		HK\$'000	HK\$'000
(a)	<i>Finance costs:</i>		
	Interest on bank loans wholly repayable within five years	11,674	3,812
	Total interest expense on financial liabilities not at fair value through profit or loss	11,674	3,812
(b)	<i>Employee benefits expense (including directors' emoluments):</i>		
	Pension scheme contributions (defined contribution schemes)	2,870	1,644
	Provision for/(Reversal of) long service payment	116	(34)
	Salaries, wages and allowances	104,446	97,933
	Share-based payments	1,919	2,026
		109,351	101,569
(c)	<i>Other items:</i>		
	Amortisation of prepaid land lease payments	908	731
	Cost of inventories sold	407,114	470,969
	Depreciation	41,411	33,051
	Written down of inventories	36,570	28,277

The cost of inventories sold includes write down of inventories of approximately HK\$36,570,000 (2011: HK\$28,277,000) and aggregate employee benefits expense, depreciation and amortisation of prepaid land lease payments of approximately HK\$126,585,000 (2011: HK\$118,874,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

* As at 31 March 2012, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2011: HK\$Nil).

5. Income Tax

	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Current tax – PRC		
Charge for the period	1,711	–
	1,711	–

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 (2011: HK\$Nil). Taxes on profits assessable in PRC have been calculated at the rates of tax prevailing in PRC, 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 2012 (30 September 2011: Nil).

6. Interim dividend

The Directors of the Company do not recommend payment of interim dividend for the six months ended 31 March 2012 (2011: Nil).

7. Loss per share

The calculation of basic loss per share for the six months ended 31 March 2012 is based on the loss for the period attributable to owners of the Company of approximately HK\$94,466,000 (2011: HK\$27,682,000) and the weighted average number of 1,016,001,301 (2011: 1,016,001,301) ordinary shares in issue during the period.

The Company had no dilutive potential ordinary shares in existence for the six months ended 31 March 2012 and 2011 since the Company's share options are anti-dilutive. Therefore, the diluted loss per share are the same as the basic loss per share.

8. Additions to property, plant and equipment

During the period, the Group spent approximately HK\$15,625,000 (2011: HK\$12,557,000) on additions to construction in progress, plant and machinery to upgrade its manufacturing capabilities.

9. Trade receivables

	31 March	30 September
	2012	2011
	HK\$'000	HK\$'000
Trade receivables	157,350	199,581
Less: Allowance for doubtful debts	(41,341)	(40,982)
	116,009	158,599

9. 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 presented based on the invoice date as follows:

	31 March 2012 HK\$'000	30 September 2011 HK\$'000
Current to 3 months	87,613	134,943
4 to 6 months	26,113	21,887
7 to 12 months	2,283	1,769
	116,009	158,599

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.

(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:

	Six months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Balance at beginning of the period	40,982	46,452
Exchange realignment	359	1,137
Balance at end of the period	41,341	47,589

At 31 March 2012, the management assessed the recoverability of the Group's trade receivables and believes that no further impairment allowance is necessary (2011: HK\$Nil).

9. Trade receivables (continued)

(c) Trade receivables that are not impaired

Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$83,389,000 (30 September 2011: HK\$79,369,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

	31 March 2012 HK\$'000	30 September 2011 HK\$'000
Neither past due nor impaired	32,620	79,230
Within 3 months past due	54,993	55,713
4 to 6 months past due	26,113	21,887
7 to 12 months past due	2,283	1,769
	116,009	158,599

Receivables that were neither past due nor impaired relate to wide range of customers for whom there was no recent history of default.

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.

10. 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 2012 HK\$'000	30 September 2011 HK\$'000
Due less than 3 months or on demand	77,510	104,122
Due from 4 to 6 months	9,380	4,598
Due from 7 to 12 months	3,468	1,416
Due over 1 year	6,186	4,955
	96,544	115,091

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.

11. Share capital

	31 March 2012 HK\$'000	30 September 2011 HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid: 1,016,001,301 ordinary shares of HK\$0.1 each	101,600	101,600

12. Commitments

The Group had the following capital commitments at the end of the reporting period:

	31 March 2012 HK\$'000	30 September 2011 HK\$'000
Contracted, but not provided for: Acquisition of property, plant and equipment	46,491	59,543

13. Contingent liabilities

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

	31 March 2012 HK\$'000	30 September 2011 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\$11,697,000 (30 September 2011: HK\$17,672,000). The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiary of HK\$11,697,000 (30 September 2011: HK\$17,672,000). 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 (30 September 2011: HK\$Nil).

14. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Group and other related parties are as follows:

(a) *Outstanding balances with related parties*

	31 March 2012 HK\$'000	30 September 2011 HK\$'000
Due to a director	1,334	575
Due to a jointly-controlled entity	234	232

The amount due to a director is unsecured, interest-free and repayable on demand.

The amount due to a jointly-controlled entity is unsecured, interest-free and has no fixed term of repayment.

(b) *Compensation of key management personnel of the Group*

The Directors of the Company are the key management personnel of the Group. Details of the directors' emoluments are as follows:

	Six months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Fees	480	480
Salaries and allowances	2,641	2,650
Provision for/(reversal of) long service payment	47	(31)
Pension scheme contributions	18	18
Share-based payments	897	899
	4,083	4,016

The Directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

15. Comparative figures

Certain comparative figures have been adjusted to conform with the presentation of the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of results and operation

Turnover of the Group for the six months ended 31 March 2012 decreased by HK\$117,515,000 or 24.3% to HK\$365,542,000, compared to HK\$483,057,000, reported last period. Sales orders from American customers dropped significantly given its unfavorable market conditions. The Group recorded gross loss of HK\$41,572,000 for the period, compared to gross profit HK\$12,088,000 last period. It was mainly attributable to decrease in sales, however, the overall manufacturing fixed costs remained fairly constant compare with last period. As a result, gross profit margin fell from 2.5% to -11.4%.

Net loss of the Group deteriorated to HK\$94,466,000 for the period compared to HK\$27,682,000 for the six months ended 31 March 2011 due to the significant decrease in turnover and increase in administrative expenses.

Consumer electronic products

Consumer electronic products mainly include calculators, watches and clocks and other digital products which represented 76.2% of the Group's revenue. Revenue from sales of consumer electronic products substantially decreased by HK\$107,209,000 or 27.8% from HK\$385,834,000 in the same period last year to HK\$278,625,000 for the six months this period.

Turnover of electronic calculators was HK\$193,664,000 representing a slight decrease of HK\$3,749,000 or 1.9% compared to HK\$197,413,000 last period. Sales of electronic calculators contributed 53.0% of the Group's turnover for the period. However, the growth stalled over the last two years.

Sales of electronic watches and clocks was slightly decreased by HK\$2,916,000, or 4.5% to HK\$62,654,000 from HK\$65,570,000 last period. It accounted for 17.1% of the Group's total turnover for the period.

Sales of digital products represented 0.5% of the Group's turnover for the period, generated revenue amounted to HK\$1,713,000, which decreased by HK\$101,966,000 or 98.3% as compared to HK\$103,679,000 last period. The significant drop in this segment was due to the once-off orders for e-books last period.

Review of results and operation *(continued)*

Electronic components and parts

Electronic components and parts mainly comprised of Liquid Crystal Displays ("LCD"), Chip On Glass ("COG") and Quartz and their respective revenue for the period were HK\$43,498,000, HK\$28,571,000 and HK\$14,271,000. Aggregated revenue for the period decreased by HK\$9,841,000 or 10.2% from HK\$96,758,000 in the same period last year to HK\$86,917,000 which was mainly contributed by drop of Quartz's sales. This segment has accounted for 23.8% of the Group's revenue.

As a result of the significant decrease in sales in American markets, the PRC became the largest market for the period which contributed 32.2% of the Group's turnover.

Selling and distribution expenses mainly consisted of transportation expenses and branch office expenses, which dropped in line with the decrease in revenue. It decreased by HK\$3,982,000 or 40.8% from HK\$9,754,000 last period to HK\$5,772,000 this period.

General and administrative expenses rose by HK\$12,617,000 or 38.4% from HK\$32,876,000 last year to HK\$45,493,000 this period. It was mainly contributed by continuously rising operating costs in the PRC.

Finance costs were HK\$11,674,000, as compared to HK\$3,812,000 last period. Increase of finance costs by HK\$7,862,000 or 2.06 times was due to bank borrowings obtained to finance the operations in the PRC during the period.

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 the PRC. As at 31 March 2012, the total shareholders' equity of the Group was HK\$700,427,000, a decrease of HK\$84,449,000 or 10.8% over last year. The Group's cash and bank balances and time deposits stood at HK\$196,855,000 whereas bank loans were HK\$336,821,000. The gearing ratio, which was computed by dividing the current liabilities and long term liabilities by shareholders' equity, was 74.4% as at the end of the reporting period. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

Significant investments and acquisition

During the period, the Group incurred HK\$15,625,000 on additions to construction in progress, plant and equipment to upgrade its manufacturing capabilities.

Capital structure

No repurchases of shares were made during the period. On 2 November 2009, the Company granted share options to certain directors and employees of the Group to subscribe for a total of 90,600,000 ordinary shares of HK\$0.1 per share each on or before 1 November 2019 of which 2,000,000 share options have been lapsed. At 31 March 2012, the number of shares in respect of which options had been granted and exercisable was 53,160,000. 1,500,000 share options were lapsed and no share options were exercised during the period.

Pledge of assets

The Group's certain leasehold land and buildings of HK\$94,648,000, prepaid land lease payments of HK\$11,161,000, investment property of HK\$57,225,000 and time deposits of HK\$45,981,000 are used to secure banking facilities for the Group.

Employees and remuneration policies

As at 31 March 2012, the Group has approximately 6,300 full time management, administrative, technical and production staff in the PRC 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

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB"), United States Dollars ("USD") and Hong Kong Dollars ("HKD"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is not significant. However, the Group has a net exchange exposure to RMB against USD.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group has entered into foreign currency forward contracts to mitigate the risk.

Contingent liabilities

As at 31 March 2012, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general facilities granted to a subsidiary of the Company amounting to HK\$58,000,000 and such facilities were utilised to the extent of HK\$11,697,000.

Prospect

It was a tough time over the period given the unsatisfactory results from the American markets. We believe our Group will remain full of challenges in the second half of the financial year given the complex global financial problems. It is expected these problems will continue to prevail and adversely affect the global economy and financial markets.

The Group will continue to enforce cost-saving measures, concentrate on manufacturing and selling products with high profit margin, explore potential customers and develop new products in order to improve the overall profitability. We will closely monitor our financial position and maintain a healthy cash position to provide the Group with optimum flexibility to respond to market uncertainties.

In response to the successive loss in these few years, we are considering the proposal of the re-allocation of the existing resources of the Group, including but not limited to the disposal of the assets of the Group and the introduction of prospective business to the Group. We will also consider to close down the unprofitable factory to improve its financial performance.

However, as at the date hereof, the Company has no agreement, arrangement, understanding or negotiation regarding such proposal. The Company will from time to time comply with the Listing Rules if any proposal materializes.

We will continue to evaluate and restructure our investment portfolio, strategies, and business scopes and alert of the dynamic competitive market conditions to seek attractive investment opportunities in order to maximise shareholder values and returns.

We remain cautious of the outlook of the Group and will continue to use their best endeavor to strengthen and strive for improvements in all aspects and to enhance the long-term growth potential of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2012, the interests of the Directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest		Percentage of the company's issued share capital
	Directly beneficially owned	Through controlled corporation	
Executive Directors:			
Ms Wong King Ching, Helen	200,000	280,000,000 (Note 1)	
Ms Wong King Man	49,648,000 (Note 2)	280,000,000 (Note 1)	
Non-executive Directors:			
Ms Wong Chun Ying	49,648,000 (Note 2)	—	
Mr Wong Kim Seong	10,000,000	—	
	59,848,000	280,000,000	33.4%

Notes:

- These shares are beneficially owned by Farnell Profits Limited, the entire issued share capital of which was previously held by the late Mr Wong Fung ("Mr Wong") and currently forms part of the estate of the late Mr Wong. Ms Wong King Ching, Helen and Ms Wong King Man, Directors of the Company, are beneficiaries of the said estate, whose interest in the shares of Farnell Profits Limited is not yet ascertained until completion of the administration of estate of the late Mr Wong.
- These shares are jointly held by Ms Wong King Man and Ms Wong Chun Ying.

The interests of the Directors in the share options of the Company are separately disclosed in the section "Share Option Scheme" below.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to the eligible participants who contribute to the growth and development of the Group. The Scheme became effective on 25 February 2003 and unless otherwise terminated or amended, will remain in force for a period of 10 years from 25 February 2003.

Particulars of outstanding share options under the Scheme of the Company and options granted during the period were as follows:

Name or category of participant	Date of grant of share options	Vesting period	Exercise period of share options	Number of share options at 1 October 2011	Lapsed during the period	Number of share options at 31 March 2012	Exercise price of share options	Company's share at date of grant of options
							HK\$	HK\$
Executive Directors	2.11.2009	Immediate	2.11.2009 – 1.11.2019	*4,500,000	-	4,500,000	0.19	0.19
		Immediate	2.11.2010 – 1.11.2019	*4,500,000	-	4,500,000	0.19	0.19
		Immediate	2.11.2011 – 1.11.2019	*4,500,000	-	4,500,000	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	4,500,000	-	4,500,000	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	4,500,000	-	4,500,000	0.19	0.19
Non-executive Director	2.11.2009	Immediate	2.11.2009 – 1.11.2019	*2,000,000	-	2,000,000	0.19	0.19
		Immediate	2.11.2010 – 1.11.2019	*2,000,000	-	2,000,000	0.19	0.19
		Immediate	2.11.2011 – 1.11.2019	*2,000,000	-	2,000,000	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	2,000,000	-	2,000,000	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	2,000,000	-	2,000,000	0.19	0.19
Independent Non-executive Directors	2.11.2009	Immediate	2.11.2009 – 1.11.2019	*1,500,000	-	1,500,000	0.19	0.19
		Immediate	2.11.2010 – 1.11.2019	*1,500,000	-	1,500,000	0.19	0.19
		Immediate	2.11.2011 – 1.11.2019	*1,500,000	-	1,500,000	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	1,500,000	-	1,500,000	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	1,500,000	-	1,500,000	0.19	0.19

SHARE OPTION SCHEME (continued)

Name or category of participant	Date of grant of share options		Exercise period of share options	Number of share options at 1 October 2011	Lapsed during the period	Number of share options at 31 March 2012	Exercise price of share options HK\$	Price of Company's share at date of grant of options HK\$
	Vesting period							
Associate of a Director	2.11.2009	Immediate	2.11.2009 – 1.11.2019	*2,000,000	–	2,000,000	0.19	0.19
		Immediate	2.11.2010 – 1.11.2019	*2,000,000	–	2,000,000	0.19	0.19
		Immediate	2.11.2011 – 1.11.2019	*2,000,000	–	2,000,000	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	2,000,000	–	2,000,000	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	2,000,000	–	2,000,000	0.19	0.19
Employees	2.11.2009	Immediate	2.11.2009 – 1.11.2019	*8,020,000	(300,000)	7,720,000	0.19	0.19
		Immediate	2.11.2010 – 1.11.2019	*8,020,000	(300,000)	7,720,000	0.19	0.19
		Immediate	2.11.2011 – 1.11.2019	*8,020,000	(300,000)	7,720,000	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	8,020,000	(300,000)	7,720,000	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	8,020,000	(300,000)	7,720,000	0.19	0.19
				<u>90,100,000</u>	<u>(1,500,000)</u>	<u>88,600,000</u>		
* Exercisable as at the end of the reporting period				<u>36,040,000</u>		<u>53,160,000</u>		

Shareholders can refer to the Annual Report 2011 of the Company issued in January 2012 for further details of the share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" as disclosed in the immediately preceding section, at no time during the period were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed under the sections headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme", no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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 internal control and financial reporting matters related to the preparation of the unaudited interim results for the period ended 31 March 2012.

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 2012, 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.

CORPORATE GOVERNANCE *(continued)*

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.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises:

Executive Directors:

Wong King Ching, Helen
Wong King Man
Leung Chi Fai

Independent Non-executive Directors:

So Day Wing
Wong Kun Kim
Kan Lai Kuen

Non-executive Directors:

Wong Chun Ying
Wong Kim Seong

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

Hong Kong, 29 May 2012