



SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058

Interim Report
2013

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 2013 (the “period”), together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		(UNAUDITED)	
		Six months ended 31 March	
	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	3	377,689	365,542
Cost of sales		(406,853)	(407,114)
Gross loss		(29,164)	(41,572)
Other income		7,214	12,538
Selling and distribution costs		(5,348)	(5,772)
Administrative expenses		(45,300)	(45,493)
Other operating expenses		(110)	(123)
Finance costs	4	(16,871)	(11,674)
Share of loss of a jointly-controlled entity		(628)	(659)
Loss before tax	5	(90,207)	(92,755)
Income tax expenses	6	(3,123)	(1,711)
Loss for the period attributable to owners of the parent		(93,330)	(94,466)
Interim dividend	7	Nil	Nil
Loss per share attributable to owners of the parent	8		
– Basic and diluted		(9 cents)	(10 cents)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	(UNAUDITED)	
	Six months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Loss for the period	(93,330)	(94,466)
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	6,372	7,429
Change in fair value of available-for-sale investment	797	669
Other comprehensive income for the period, net of tax	7,169	8,098
Total comprehensive loss for the period attributable to owners of the parent	(86,161)	(86,368)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(UNAUDITED)	(AUDITED)
		31 March	30 September
		2013	2012
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		427,901	459,176
Investment property		64,396	63,770
Prepaid land lease payments		66,871	67,137
Interest in a jointly-controlled entity		8,921	9,456
Available-for-sale investment		7,227	6,430
Deposits paid for acquisition of property, plant and equipment		828	711
		<hr/>	<hr/>
Total non-current assets		576,144	606,680
CURRENT ASSETS			
Inventories		278,498	293,595
Loan receivables		43,260	155,918
Trade receivables	10	203,293	148,495
Prepayments, deposits and other receivables		75,902	24,693
Due from a jointly-controlled entity		329	326
Tax recoverable		80	80
Pledged time deposits		13,239	16,354
Cash and cash equivalents		264,778	270,573
		<hr/>	<hr/>
Total current assets		879,379	910,034
CURRENT LIABILITIES			
Trade payables	11	151,038	151,815
Other payables and accruals		45,576	33,539
Due to a director		2,320	2,681
Interest-bearing bank borrowings		661,885	650,164
Tax payable		29,206	28,928
		<hr/>	<hr/>
Total current liabilities		890,025	867,127
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(10,646)	42,907
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		565,498	649,587
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

		(UNAUDITED)	(AUDITED)
		31 March	30 September
		2013	2012
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		45,388	45,215
Provision for long service payment		655	742
		<hr/>	<hr/>
Total non-current liabilities		46,043	45,957
		<hr/>	<hr/>
NET ASSETS			
		519,455	603,630
		<hr/>	<hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital	12	101,600	101,600
Reserves		417,855	502,030
		<hr/>	<hr/>
Total equity		519,455	603,630
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 March 2013

	Issued capital	Share premium account	Contributed surplus	Capital redemption reserve	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	PRC statutory reserves	Available-for-sale investment	Accumulated losses	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 2012	101,600	177,325	56,471	509	5,951	116,801	234,222	12,928	272	(102,449)	603,630
Loss for the period	-	-	-	-	-	-	-	-	-	(93,330)	(93,330)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	6,372	-	-	-	6,372
Change in fair value of available-for-sale investment	-	-	-	-	-	-	-	-	797	-	797
Total other comprehensive Income for the period	-	-	-	-	-	-	6,372	-	797	-	7,169
Total comprehensive loss for the period	-	-	-	-	-	-	6,372	-	797	(93,330)	(86,161)
Recognition of equity-settled share-based payments	-	-	-	-	1,986	-	-	-	-	-	1,986
At 31 March 2013	101,600	177,325	56,471	509	7,937	116,801	240,594	12,928	1,069	(195,779)	519,455

For the six months ended 31 March 2012

	Issued capital	Share premium account	Contributed surplus	Capital redemption reserve	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	PRC statutory reserves	Available-for-sale investment	Retained profits/(Accumulated losses)	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
Loss for the period	-	-	-	-	-	-	-	-	-	(94,466)	(94,466)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	7,429	-	-	-	7,429
Change in fair value of available-for-sale investment	-	-	-	-	-	-	-	-	669	-	669
Total other comprehensive Income for the period	-	-	-	-	-	-	7,429	-	669	-	8,098
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(UNAUDITED)	
	Six months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Net cash used in operating activities	(124,361)	(61,135)
Net cash generated from investing activities	106,026	24,084
Net cash generated from/(used in) financing activities	5,490	(38,349)
Net decrease in cash and cash equivalents	(12,845)	(75,400)
Cash and cash equivalents at the beginning of the period	270,573	223,607
Effect of foreign exchange rate changes, net	7,050	2,667
Cash and cash equivalents at the end of the period	264,778	150,874
Analysis of balances of cash and cash equivalents		
Cash and bank balances	264,778	150,874

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

1.1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 31 March 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by The Hong Kong Institution of Certified Public Accountants (“HKICPA”).

The accounting policies used in preparation of these financial statements are consistent with those adopted in the Group’s Annual Report for the year ended 30 September 2012, except for adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) which are first effective for the current accounting period.

The Group had net current liabilities of approximately HK\$10,646,000 as at 31 March 2013 of which current liabilities of approximately HK\$661,885,000 were attributable to bank borrowings due within one year. Taking into account the financial resources of the Group, including the Group unutilized banking facilities, the Group’s ability to renew or refinance the banking facilities upon maturity and financial support from the ultimate major shareholder of the Company, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations they fall due for at least the next twelve months from the end of the reporting period and accordingly, these financial statements have been prepared on a going concern basis.

1.2 Application of new and revised HKFRSs

In current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Amendments to HKAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

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

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

1.2 Application of new and revised HKFRSs (continued)

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 2012:

HKFRS 1 (Amendments)	Government Loans ¹
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities ²
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹
Annual Improvements Project	Annual Improvements 2009–2011 Cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2014.

³ 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

For management purpose, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the electronic components and parts segment consists of the design, development, manufacture and sale of electronic 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.

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

Segment performance is evaluated based on reporting segment (loss)/profit, which is a measure of adjusted (loss)/profit before tax. Segment (loss)/profit represents the (loss)/profit from each segment without allocation of central administration costs, share of results of a jointly-controlled entity, rental income, bank and other income and gains, finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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.

Segment assets exclude interest in a jointly-controlled entity, available-for-sale investment, loan receivables, pledged time deposits, cash and cash equivalents and other 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 tax payable, deferred tax liabilities, interest-bearing bank borrowings 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) *Segment results, assets and liabilities*

	Electronic components and parts		Consumer electronic products		Other businesses		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31 March		31 March		31 March		31 March	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Revenue from external customers	83,532	86,919	293,978	278,623	179	-	377,689	365,542
Reportable segment (loss)/profit from operations	(17,999)	(27,231)	(59,681)	(63,646)	2	-	(77,678)	(90,877)
Reconciliation:								
Other income							7,214	12,538
Finance costs							(16,871)	(11,674)
Share of loss of a jointly-controlled entity							(628)	(659)
Unallocated head office and corporate expenses							(2,244)	(2,083)
Loss before tax							(90,207)	(92,755)
Other segment information:								
Capital expenditure [#]	2,316	4,703	7,482	10,922	-	-	9,808	15,625
Amortisation of prepaid land lease payments [*]	218	273	706	635	-	-	924	908
Depreciation [*]	10,649	12,362	34,441	28,706	339	343	45,429	41,411
Written down of inventories [*]	-	11,008	-	25,562	-	-	-	36,570

	Electronic components and parts		Consumer electronic products		Other businesses		Total	
	31	30	31	30	31	30	31	30
	March	September	March	September	March	September	March	September
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	227,431	227,595	743,213	682,681	50	243	970,694	910,519
Segment liabilities	31,569	31,316	134,294	136,602	5	934	165,868	168,852

[#] Capital expenditure consists of additions to property, plant and equipment.

^{*} Included in the "Reportable segment (loss)/profit from operations" disclosed above.

2. Segment information *(continued)*

(b) Reconciliation of reportable assets and liabilities

	31 March 2013 HK\$'000	30 September 2012 HK\$'000
Assets		
Total reportable segment assets	970,694	910,519
Available-for-sale investment	7,227	6,430
Cash and cash equivalents and pledged time deposits	278,017	286,927
Interest in a jointly-controlled entity	8,921	9,456
Loan receivables	43,260	155,918
Unallocated head office and corporate assets	147,404	147,464
Consolidated total assets	1,455,523	1,516,714
Liabilities		
Total reportable segment liabilities	165,868	168,852
Bank loans	659,225	644,086
Deferred tax liabilities	45,388	45,215
Tax payable	29,206	28,928
Unallocated head office and corporate liabilities	36,381	26,003
Consolidated total liabilities	936,068	913,084

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		PRC		Other Asian countries*		American countries**		European countries***		African countries****		Consolidated	
	Six months ended 31 March	2012												
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000												
Turnover from external customers	9,467	12,899	121,586	117,599	119,620	91,140	87,432	85,395	28,227	41,775	11,357	16,734	377,689	365,642
	31 March	30 September												
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000												
Non-current assets *****	15,574	15,913	543,594	574,170	-	-	-	-	-	-	-	-	559,168	590,083

* 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.

***** Non-current assets information above is based on the location of assets and excluded available-for-sale investment, interest in a jointly-controlled entity and deposits paid for acquisition of property, plant and equipment.

(d) Information about major customers

There was no single customer individually contributed over 10% of the Group's total revenue during the period (2012: Nil).

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. Finance cost**Six months ended 31 March**

	2013 HK\$'000	2012 HK\$'000
Interest on bank loans wholly repayable within five years	<u>16,871</u>	<u>11,674</u>

5. Loss before tax**Six months ended 31 March**

	2013 HK\$'000	2012 HK\$'000
The Group's loss before tax is arrived at after charging/ (crediting):		
Cost of inventories sold	360,839	328,568
Depreciation	45,429	41,411
Amortisation of prepaid land lease payments	924	908
Provision for write down of inventories	–	36,570
Foreign exchange difference, net	(1,878)	(2,589)
Employee benefits expense (including directors' emoluments):		
Pension scheme contributions	5,315	2,870
(Reversal of)/provision for long service payment	(87)	116
Equity-settled share-based payments expenses	1,986	1,919
Salaries, wages and allowances	<u>87,647</u>	<u>104,446</u>
	<u>94,861</u>	<u>109,351</u>

6. Income tax expenses

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. Subsidiaries established in PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2012: 25%).

	Six months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Current tax – PRC		
Charge for the period	3,123	1,711
	3,123	1,711

7. Interim dividend

No dividend was paid or proposed during the period, nor has any dividend been proposed since the end of the reporting period (2012: HK\$Nil).

8. Loss per share

The calculation of basic loss per share for the six months ended 31 March 2013 is based on the loss for the period attributable to owners of the parent of approximately HK\$93,330,000 (2012: HK\$94,466,000) and the weighted average number of 1,016,001,301 (2012: 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 2013 and 2012 since the Company's share options are anti-dilutive. Therefore, the diluted loss per share are the same as the basic loss per share.

9. Additions to property, plant and equipment

During the period, the Group spent approximately HK\$9,808,000 (2012: HK\$15,625,000) on additions to construction in progress, plant and machinery to upgrade its manufacturing capabilities.

10. Trade receivables

	31 March 2013 HK\$'000	30 September 2012 HK\$'000
Trade receivables	244,740	189,552
Impairment	(41,447)	(41,057)
	203,293	148,495

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.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	31 March 2013 HK\$'000	30 September 2012 HK\$'000
Within 3 months	173,709	111,375
4 to 6 months	22,397	35,895
Over 7 months	7,187	1,225
	203,293	148,495

The movement in provision for impairment of trade receivables are as follows:

	Six months ended 31 March	
	2013 HK\$'000	2012 HK\$'000
Balance at beginning of the period	41,057	40,982
Exchange realignment	390	359
Balance at end of the period	41,447	41,341

The individually impaired trade receivables related to customers that were in financial difficulties and over due for more than one year and management assessed that the recoverability of these receivables is in doubt. The Group does not hold any collateral over these balances. As at the end of the reporting period, the management believes that no further impairment allowance is necessary (2012: HK\$Nil).

10. Trade receivables *(continued)*

The aged analysis of the trade receivables that are not individually nor collective by considered to be impaired is as follows:

	31 March 2013 HK\$'000	30 September 2012 HK\$'000
Neither past due nor impaired	97,469	73,761
Within 3 months past due	76,240	51,590
4 to 6 months past due	22,397	22,496
Over 7 months past due	7,187	648
	203,293	148,495

Receivables that were neither past due nor impaired relate to a 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, the directors of the Company are of the opinion that no provision for impairment 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.

11. 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 2013 HK\$'000	30 September 2012 HK\$'000
Within 3 months	80,872	133,328
4 to 6 months	44,528	10,109
7 to 12 months	21,303	3,060
Over 1 year	4,335	5,318
	151,038	151,815

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.

12. Share capital

	31 March 2013 HK\$'000	30 September 2012 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
1,016,001,301 ordinary shares of HK\$0.1 each	<u>101,600</u>	<u>101,600</u>

13. Commitments

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

	31 March 2013 HK\$'000	30 September 2012 HK\$'000
Contracted, but not provided for:		
Acquisition of property, plant and equipment	<u>3,721</u>	<u>9,805</u>

14. Contingent liabilities

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

	31 March 2013 HK\$'000	30 September 2012 HK\$'000
Guarantees executed by the Company in favour of banks for general banking facilities granted to a subsidiary	<u>45,000</u>	<u>45,000</u>

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\$11,208,000 (30 September 2012: HK\$14,626,000). The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiary of HK\$11,208,000 (30 September 2012: HK\$14,626,000). 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 2012: HK\$Nil).

15. 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 2013 HK\$'000	30 September 2012 HK\$'000
Due to a director	2,320	2,681
Due from a jointly-controlled entity	329	326

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

The amount due from 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	
	2013 HK\$'000	2012 HK\$'000
Fees	480	480
Salaries and allowances	2,607	2,641
(Reversal of)/provision for long service payment	(32)	47
Pension scheme contributions	22	18
Share-based payments	897	897
	3,974	4,083

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of results and operation

Turnover of the Group for the period ended 31 March 2013 increased slightly by HK\$12,147,000 or 3.3% to HK\$377,689,000, compared to HK\$365,542,000 reported last period. The Group recorded gross loss of HK\$29,164,000 for the period, compared to HK\$41,572,000 last period. Improvement of gross loss was mainly due to provision for inventories made last period while this period had nil. On the other hand, cost of raw materials increased continuously which driven up the cost of inventories sold. As a result, gross loss improved by HK\$12,408,000 and gross loss margin reduced from 11.4% to 7.7%.

Consumer electronic products

Turnover of electronic calculators was HK\$184,438,000 representing a slight decrease of HK\$9,226,000 or 4.8% compared to HK\$193,664,000 last period. Sales of electronic calculators contributed 48.8% of the Group's turnover for the period. It remains the largest business segment of the Group.

Sales of electronic watches and clocks was significantly decreased by HK\$24,808,000, or 39.6% to HK\$37,846,000 from HK\$62,654,000 last period. It accounted for 10.0% of the Group's total turnover for the period.

Digital products sold during the period mainly included tablet computer, projector, digital camera and digital toy. Sales of digital products represented 17.0% of the Group's turnover for the period, generated revenue amounted to HK\$64,283,000, which significantly increased by HK\$62,570,000 as compared to HK\$1,713,000 last period. The significant increase was mainly arising from sales of tablet computers.

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\$42,367,000, HK\$29,675,000 and HK\$10,114,000. Aggregated revenue for the period decreased slightly by HK\$3,385,000 or 3.9% from HK\$86,917,000 in the same period last year to HK\$83,532,000. This segment has accounted for 22.1% of the Group's revenue.

Revenue from the PRC and American countries were fairly the same as last period. Revenue from other Asian countries increased while revenue from European countries declined. The PRC remains the largest market for the period which contributed 32.2% of the Group's turnover.

The overall result of the Group was comparable with last period. Net loss was HK\$93,330,000 in the current period compared with HK\$94,466,000 reported last period.

Review of results and operation *(continued)*

Selling and distribution expenses mainly consisted of transportation expenses and branch office expenses. It decreased by HK\$424,000 or 7.3% from HK\$5,772,000 last period to HK\$5,348,000 this period.

General and administrative expenses were fairly consistent with last period. It was HK\$45,300,000 compared to HK\$45,493,000 last period. It mainly represented administrative staff costs, directors' remuneration, legal and professional fees and various taxes paid to the PRC government.

Finance costs were HK\$16,871,000, compared to HK\$11,674,000 last period. Increase of finance costs by HK\$5,197,000 or 44.5% 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 2013, the total shareholders' equity of the Group was HK\$519,455,000, a decrease of 13.9% over last year. The Group's cash and bank balances and time deposits stood at HK\$278,017,000 whereas bank borrowings were HK\$661,885,000. The gearing ratio, which was computed by dividing the current liabilities and long-term liabilities by shareholders' equity, was 1.80 times as at the end of the reporting period. The Group is dedicated to maintaining a health financial position and improving the equity return to its shareholders.

Significant investments and acquisition

During the period, the Group incurred HK\$9,808,000 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. At 31 March 2013, the number of shares in respect of which options had been granted and exercisable was 70,880,000. 1,000,000 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\$104,240,000, certain prepaid land lease payments of HK\$14,205,000, investment property of HK\$64,396,000 and time deposits of HK\$13,239,000 are used to secure banking facilities for the Group.

Applications of proceeds of share offer

The remaining balance of approximately 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

As at 31 March 2013, the Group has approximately 6,000 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 nominal. 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.

Contingent liabilities

As at 31 March 2013, 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\$45,000,000 and such facilities were utilised to the extent of HK\$11,208,000.

Purchase, sale or redemption of the company's listed securities

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

Prospect

With the global economic conditions remaining unstable, we expect the negative impacts will continue in place on the electronics and manufacturing industries. To cope with the uncertainties, we will cautiously review and adjust the business strategies from time to time.

Our research and development team is ongoing to explore opportunities from the digital products market. Currently, portable router, router, portable game console and walkie-talkie are under development.

Group restructuring is under planning to have a better allocation of the Group's existing resources, including but not limited to dispose the Group's existing assets and introduce prospective business to the Group. We will also consider to close down the unprofitable factory to improve the financial performance. Preliminary discussions have been taken place but no terms and conditions have been agreed as at the date thereof. We will update the shareholders and potential investors if the proposal materializes.

Going forward, we remain cautious in the second half of year. We will continue to implement cost control measures and improve the operational efficiency to improve the financial performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2013, 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 Choi 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 adopted a share option scheme effective on 25 February 2003 (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 was expired on 25 February 2013. Pursuant to the Scheme, the Company granted options to certain directors and employees on 2 November 2009 to subscribe for a total of 90,600,000 ordinary shares of HK\$0.1 per share each on or before 1 November 2019.

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		Exercise period of share options	Number of share options at 1 October 2012	Lapsed during the period	Number of share options at 31 March 2013	Exercise price of share options HK\$	Price of Company's share at date of grant of options HK\$
	Vesting period							
Executive Directors	2.11.2009	Immediate	2.11.2009 – 1.11.2019	4,500,000	–	4,500,000*	0.19	0.19
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	4,500,000	–	4,500,000*	0.19	0.19
		2.11.2010 – 1.11.2011	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
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	2,000,000	–	2,000,000*	0.19	0.19
		2.11.2010 – 1.11.2011	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
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	1,500,000	–	1,500,000*	0.19	0.19
		2.11.2010 – 1.11.2011	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	(1,000,000)	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 2012	Lapsed during the period	Number of share options at 31 March 2013	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
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	2,000,000	–	2,000,000*	0.19	0.19
		2.11.2010 – 1.11.2011	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	7,720,000	–	7,720,000*	0.19	0.19
		2.11.2009 – 1.11.2010	2.11.2010 – 1.11.2019	7,720,000	–	7,720,000*	0.19	0.19
		2.11.2010 – 1.11.2011	2.11.2011 – 1.11.2019	7,720,000	–	7,720,000*	0.19	0.19
		2.11.2011 – 1.11.2012	2.11.2012 – 1.11.2019	7,720,000	–	7,720,000*	0.19	0.19
		2.11.2012 – 1.11.2013	2.11.2013 – 1.11.2019	7,720,000	–	7,720,000	0.19	0.19
				88,600,000	(1,000,000)	87,600,000		
						70,880,000		

* Exercisable as at the end of the reporting period

Shareholders can refer to the Annual Report 2012 of the Company issued in December 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.

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 2013.

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 2013, 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:

Fong Yin Cheung
Hung Yat Ming
So Day Wing

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, 30 May 2013