Suncorp

Suncorp Technologies Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1063)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

INTERIM RESULTS

The board of directors (the "Board") of Suncorp Technologies Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with the comparative figures in 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
	Notes	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*
Revenue	1	**666,470**	887,633
Cost of sales		**(625,043)**	(868,065)
Gross profit		**41,427**	19,568
Other income		**2,974**	453
Selling and distribution expenses		**(19,276)**	(29,195)
Administrative expenses		**(19,294)**	(26,488)
Amortisation of intangible assets		**(10,200)**	(13,800)
Finance costs		**(8,681)**	(13,494)
Loss before taxation	2	**(13,050)**	(62,956)
Taxation	3	**—**	—
Loss for the period		**(13,050)**	(62,956)

	Notes	Six months ended 30 June **2007** **(Unaudited)** ***HK$'000***	2006 (Unaudited) *HK$'000*
Attributable to:			
Equity holders of the Company		**(13,050)**	(62,956)
Minority shareholders		**—**	—
		(13,050)	(62,956)
Interim dividend		**—**	—
Loss per share	4		
-Basic		**(HK$0.022)**	(HK$0.185)
-Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2007 (Unaudited) *HK$'000*	As at 31 December 2006 (Audited) *HK$'000*
Non-current assets		
Property, plant and equipment	**67,329**	76,688
Interest in a jointly controlled entity	**—**	—
Intangible assets	**58,847**	69,047
	126,176	145,735
Current assets		
Inventories	**14,612**	32,397
Trade, bills and other receivables	**26,311**	29,358
Trade receivables with insurance coverage	**42,026**	79,322
Trade and other receivables from a jointly controlled entity	**127,069**	107,207
Bills receivables discounted with full recourse	**127,635**	128,149
Taxation recoverable	**2,599**	2,599
Pledged bank deposit	**7,853**	—
Bank balances and cash	**17,428**	60,842
	365,533	439,874
Current liabilities		
Trade and other payables	**245,234**	319,231
Advances drawn on trade receivables with insurance coverage	**35,982**	79,726
Advances drawn on bills receivables discounted with full recourse	**127,635**	128,149
Amounts due to directors	**29,260**	38,968
Financial guarantee contracts	**671**	2,683
Taxation payable	**2,605**	2,605
Obligations under finance leases due within one year	**14,005**	16,959
Bank borrowings due within one year	**25,462**	23,527
	480,854	611,848

	As at 30 June 2007 (Unaudited) *HK$'000*	As at 31 December 2006 (Audited) *HK$'000*
Net current liabilities	**(115,321)**	(171,974)
Total assets less current liabilities	**10,855**	(26,239)
Non-current liabilities		
Amount due to minority shareholders	**798**	798
Obligations under finance leases due after one year	**4,398**	12,123
	5,196	12,921
Net assets/ (liabilities)	**5,659**	(39,160)
Capital and reserves		
Share capital	**61,462**	40,974
Reserves	**(55,967)**	(80,298)
Equity attributable to equity holders of the Company	**5,495**	(39,324)
Minority interests	**164**	164
Total equity	**5,659**	(39,160)

NOTES:

1. **Segment information**

Geographical segments by location of customers with reference to the location of final users of the telephones and related equipment for the six months ended 30 June 2007:

	Western Europe *HK$'000*	Central & Eastern Europe *HK$'000*	Asia Pacific *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE	594,416	19,591	41,449	11,014	666,470
RESULTS					
Segment results	28,504	1,040	1,470	575	31,589
Unallocated income					2,974
Unallocated expenses					(38,932)
Finance costs					(8,681)
Loss before taxation					(13,050)
Taxation					—
Net loss for the period					(13,050)

Geographical segments by location of customers with reference to the location of final users of the telephones and related equipment for the six months ended 30 June 2006:

	Western Europe *HK$'000*	Central & Eastern Europe *HK$'000*	Asia Pacific *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE	751,210	49,541	72,413	14,469	887,633
RESULTS					
Segment results	3,467	498	(444)	130	3,651
Unallocated income					453
Unallocated expenses					(53,566)
Finance costs					(13,494)
Loss before taxation					(62,956)
Taxation					—
Net loss for the period					(62,956)

As all of the Group's turnover and contribution to results were derived from the design, manufacture and sale of telephones and related equipment, no separate business segment analysis is presented for the Group.

2. **Loss before taxation**

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging -		
Product development expenditure	**4,972**	24,741
Less: Amount capitalised	**—**	(20,158)
	4,972	4,583
Staff costs including directors remuneration	**17,088**	33,979
Less: Amount capitalised in product development expenditure	**—**	(9,242)
	17,088	24,737
Depreciation	**13,330**	10,076
Amortisation of intangible assets	**10,200**	13,800
and after crediting -		
Interest income	**417**	453

3. **Taxation**

No provision for taxation has been made as the Group has no assessable income for the period (2006: Nil).

4. **Loss per share**

The calculation of the basic loss per share for the period is based on the following data:

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	**(13,050)**	(62,956)
Weighted average number of ordinary shares for the purposes of basic loss per share	**586,318,276**	340,773,923

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the period ended 30 June 2006 has been retrospectively adjusted for the effect of the rights issue completed on January 2007.

No diluted loss per share is presented for the period ended 30 June 2007 and 2006 as the exercise of the Company's outstanding share options for the period ended 30 June 2007 and 2006 would result in a decrease in loss per share.

5. **Jointly controlled entity**

The Group discontinued including its share of results of Shenzhen Top Guo Wei Electronics Co., Ltd ("Guo Wei") when the cumulative share of losses of Guo Wei equaled the investment cost in Guo Wei. The Group will not resume including its share of any future profits of Guo Wei until its share of such profits equals the share of losses not recognised. For the period under review, Guo Wei recorded a net loss of approximately HK$12.7 million after deduction of depreciation expenses of approximately HK$10 million.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2007. (2006: Nil)

CHAIRMAN'S STATEMENT

Overview

The first six months of 2007 saw an intense effort to stabilize the business through a focus on more profitable high-end products, the establishment of a new manufacturing facility in Meizhou, China, the strengthening of our research capability, and the development of new products and customers. This was all done against a background of difficult market conditions and the litigation referred to below.

On the financial side, we have seen a major improvement over the comparable period last year and generated positive cash flow for the period. The recently announced rights issue, which was approved by shareholders last week and which will close on 23 August 2007, will further strengthen the Company's balance sheet.

Challenges certainly remain, and re-building cannot be expected to be an overnight process given the difficulties that the Company has had to deal with in the last nine months. Nevertheless, very good progress is being made.

Business generally

Our objective during this period has been to focus on the profitability of individual products rather than the absolute level of sales or current market share. Our gross margin improved significantly from 2.2% in the first half of 2006 to 6.2% this year. Sales for the period were HK$666.5 million, 25% less than the same period last year. However, gross profit was HK$41.4 million, an improvement of 111% over the same period last year.

We introduced several new products during the period. An important change in our product mix was that higher-priced VoIP (voice over internet protocol) products accounted for 36% of total first half sales, compared to zero in the same period in 2006. IP-related products are the fastest growing segment of the telecommunications industry.

That said, our sales in the second quarter were less than those in the first quarter. Two factors mainly account for this. Non-recurring production and development issues delayed the launch of certain European products and resulted in our not being able to capitalize on repeat orders in the second quarter. More importantly, a portion of first quarter sales stemmed from orders negotiated prior to the dispute with the Uniden Corporation of Japan ("Uniden") that arose in late 2006. Certain customers subsequently adopted an understandably cautious attitude until they had greater clarity on the future direction of the Company and thus orders were not at a level in the second quarter that we would have normally expected. We continue to successfully rebuild customer confidence, but this takes time. After having terminated production arrangements with Uniden, the Company has commenced the move to new facilities in Meizhou, improved its profitability, and raised new capital through the current rights issue. We are pleased to report that, as a consequence, customers are renewing their commitment to the Company.

Our cost reduction program continues to deliver results. Selling and distribution expenses were HK$19.3 million, down 34% over the same period in 2006 and as percentage of sales reduced from 3.3% to 2.9% this year. Administrative expenses were HK$19.3 million, a reduction of 27% over the first half of 2006.

EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK$19.2 million - a major improvement over 2006 levels of a loss of HK$25.6 million The loss for the period was HK$13.1 million, a major improvement over the loss of HK$63 million in the first half of 2006. The loss of HK$13.1 million is arrived at after deducting non cash items of HK$23.5 million for depreciation and amortisation of intangible assets.

Our balance sheet has also improved. We reduced total liabilities by 22% or HK$139 million. We had positive net worth at the end of the period, which will be further enhanced by the current rights issue which will raise new equity of approximately HK$70 million.

Recent developments

New production facility

Following the termination in March 2007 of the Master Production Agreement ("MPA") with Uniden, we secured a long-term leased facility in Meizhou, Guangdong Province, in order to address our requirement for lower costs and more efficient manufacturing. We commenced production at Meizhou in mid July. Production at Guo Wei will now reduce rapidly, and we expect to be manufacturing the majority of our products at our new Meizhou facility by year end.

New customers

During the period we have continued to expand our customer base and are pleased to announce that we have this week signed with a grade A major multinational company to act as their supplier of DECT and VoIP phones. Supply under this three-year agreement starts next month and offers us the potential to significantly expand our business with this customer over time.

Litigation

On 2 August 2007, we filed our defence in the legal proceedings brought by Uniden and Uniden Hong Kong Limited ("Uniden HK") in the first quarter. The Company considers Uniden's allegations and claims to be without merit, and intends vigorously to defend them. On the same date, we also filed a counterclaim in the same litigation against Uniden in respect of breaches of the MPA and the Business Alliance Agreement and claimed an amount of approximately HK$354 million by way of damages. Further updates will be given as appropriate.

Outlook

2007 will continue to be a challenging year for our industry and our focus will remain on profitability. Our reputation for innovation, strong design, and quality control, will, we believe return us to growth.

I would like to take this opportunity to thank our staff for their commitment and diligence, and our customers for their continued business and support.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the six months ended 30 June 2007 the Group recorded a turnover of approximately HK$666 million which represents a decrease of 25% compared to the corresponding figure for the six months ended 30 June 2006. The gross profit for the period under review rose to approximately HK$41 million compared to approximately HK$20 million for the previous period. We achieved an improved gross margin of 6.2% compared to 2.2% for the comparable period last year, and 4.3% for the second half of last year. The average selling price in the first half increased by 9.2% compared to the first half of last year and by 4.3% compared to the second half of last year. Stricter cost controls continue to be implemented. As a result, selling and distribution expenses decreased by HK$10 million which represents, in terms of expenses over sales, a decrease of 0.4% from the first half of last year. Administration expenses, amortisation of intangible assets and finance costs have also decreased by approximately HK$7 million, HK$4 million and HK$5 million respectively. The net loss for the period was HK$13 million (2006: net loss of $63 million).

Segmental information

All of the Group's turnover and contribution to results were derived from the design, manufacture and sale of telephones and related equipment. Our existing product range comprises mainly of digital enhanced cordless telephones (DECT), VoIP enabled DECT cordless phones (VoIP) and other telecom products. DECT products accounted for approximately 62% of our turnover for the period under review, and VoIP accounted for 36% of the Group's turnover in period under review. The balance represented sales of other telephone products.

Our customer base continues to comprise prime telecom operating companies and telecom product distributors in Europe and Asia Pacific. Customers in European countries accounted for approximately 92% of turnover, compared to 90% in first half last year and 89% in the second half 2006. Customers in Asia Pacific and other regions accounted for approximately 8% of the Group's turnover.

The current level of confirmed orders remains encouraging, with a significant portion being products with a higher profit margin.

Liquidity and financial resources

As at 30 June 2007, the Group had net current liabilities of approximately HK$115 million, total assets of HK$492 million and shareholders' funds of approximately HK$5.5 million. As at 30 June 2007, the cash balance of the Group stood at approximately HK$25 million.

The Group's total bank borrowings as at 30 June 2007 were approximately HK$189 million (2006: HK$231 million) including approximately HK$36 million (2006: HK$80 million) which represented advances drawn on trade receivables with insurance coverage and approximately HK$128 million (2006: HK$128 million) which represented bills discounted through banks with full recourse. As at 30 June 2007 bank borrowings due within one year were HK$25 million (2006: HK$24 million). The ratio of total bank borrowings and finance leases obligations to total assets reduced from 44.5% as at end of 2006 to 42.2% at the period end.

Capital structure

During the period, 204,871,830 shares were issued at the subscription price of HK$0.30 per share on the basis of one rights share for every two shares then in issue.

Investments

There were no material acquisitions or disposals of subsidiaries and associated companies during the period.

The Group does not currently have any plans to make any material investments or any acquisition of any capital assets that are material in the context of the Group.

Contingent liabilities

The Company has outstanding guarantees of approximately HK$6.4 million to secure general banking facilities granted to a jointly controlled entity.

Information concerning the claims which are the subject of legal proceedings brought by Uniden and Uniden HK referred to above can be found in the Company's annual report for the year ended 31 December 2006 and the Company's announcement of 6 August 2007.

Employees

The Group's emolument policies are formulated on the performance of employees with reference to the market condition. The board may exercise its discretion to grant share options to the executive directors and employees as an incentive to their contribution to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

CORPORATE GOVERNANCE

During the period, the Company complied with all requirement set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from Code provision A.4.1 in respect of the service term of directors. Code provision A.4.1 stipulates that non-executive directors of the Company should be appointed for a specific term, subject to re-election. None of the existing independent non-executive directors of the Company is appointed for specific term and this constitutes a deviation from Code provision A.4.1. In accordance with the bye-laws of the Company, all directors of the Company are subject to retirement by rotation at least every three years at the annual general meeting.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). All directors of the Company confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee, which comprises all independent non-executive Directors, has reviewed the interim results for the six months ended 30 June 2007.

BOARD OF DIRECTORS

As at the date of this announcement, the directors of the Company are Peter Francis Amour, Malcolm Stephen Jacobs-Paton, Leung Shek Kong, Mak Chee Bun, Cheung Chi Wai (Executive Directors), Thomas Chia, Edward Hungerford Milward-Oliver and Stanley Chan (Independent Non-executive Directors).

By Order of the Board
Peter Francis Amour
Chairman

Hong Kong, 16 August 2007