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## **SUNLINK INTERNATIONAL HOLDINGS LIMITED**

(Provisional Liquidators Appointed)

**科浪國際控股有限公司 \***

(已委任臨時清盤人)

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2336)**

### **ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009**

The joint and several provisional liquidators (collectively, the “Provisional Liquidators”) of Sunlink International Holdings Limited (Provisional Liquidators Appointed) (the “Company”) announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2009 based on the books and records made available to them together with comparative figures for the corresponding period in 2008.

The Provisional Liquidators were appointed pursuant to an order by the High Court of the Hong Kong Special Administrative Region (the “High Court”) on 24 December 2008, and consequently, the Provisional Liquidators do not have the same detailed knowledge of the financial affairs of the Group as the directors of the Company would have, in particular transactions entered into by the Group prior to their appointment.

The board of directors of the Company (the “Board”) has authorised the Provisional Liquidators to sign, approve, publish and do all such acts in connection with this announcement. The Provisional Liquidators are responsible for the accuracy and completeness of the contents of this announcement in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of this announcement on the basis of the books and records made available to the Provisional Liquidators and, where applicable, having made all reasonable enquiries by them. Therefore, the Provisional Liquidators make no representation as to the completeness of the information contained in this announcement.

The basis of preparation of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2009 have been set out in note 1 to the condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2008 <i>HK\$'000</i> <b>(Audited)</b>
<b>Revenue</b>	3	<b>209</b>	857,810
Cost of sales		<b>(202)</b>	(708,599)
Gross profit		7	149,211
Other income	4	<b>20</b>	836
Selling and expenses		–	(7,729)
Administrative expenses		<b>(2,195)</b>	(25,842)
Provision for bank guarantees for deconsolidated subsidiaries		<b>(1,036)</b>	–
Finance costs	5	–	(3,818)
<b>(Loss)/Profit before tax</b>	6	<b>(3,204)</b>	112,658
Income tax expenses	7	–	(18,032)
<b>(Loss)/Profit for the period</b>		<b>(3,204)</b>	94,626
Other Comprehensive income:			
Exchange differences on translation of foreign operations		–	124
Other comprehensive income for the period, net of tax		–	124
<b>Total comprehensive income for the period</b>		<b>(3,204)</b>	<b>94,750</b>
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		<b>(3,204)</b>	94,579
Minority interests		–	47
		<b>(3,204)</b>	<b>94,626</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>(3,204)</b>	94,703
Minority interests		–	47
		<b>(3,204)</b>	<b>94,750</b>
<b>(Loss)/Earnings per share</b>	9		
Basic		<b>(0.17)</b>	5.07
Diluted		<b>N/A</b>	5.05

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2009*

		<b>30 June</b>	31 December
		<b>2009</b>	2008
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Trade receivables	<i>10</i>	<b>209</b>	–
Cash held by the Provisional Liquidators		<b>3,575</b>	–
Bank and cash balances		–	724
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>3,784</b>	724
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>186,478</b>	186,478
Reserves		<b>(423,740)</b>	(420,536)
		<hr/>	<hr/>
<b>Total equity</b>		<b>(237,262)</b>	(234,058)
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>202</b>	–
Accruals and other payables		<b>8,576</b>	3,567
Due to deconsolidated subsidiaries		<b>26,635</b>	26,617
Current tax payable		<b>1,588</b>	1,588
Financial guarantee liabilities	<i>12</i>	<b>204,045</b>	203,010
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>241,046</b>	234,782
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,784</b>	724
		<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2009*

**1. BASIS OF PREPARATION**

The Board has authorized the Provisional Liquidators to approve, publish and do all such acts in connection with the publication of this announcement.

The Provisional Liquidators make no representation as to the completeness of the information contained in these unaudited condensed consolidated interim financial statements.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard 34, "Interim Financial Reporting".

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2007 and the final results announcement for the year 31 December 2008. The financial information relating to the financial statements for the year ended 31 December 2008 and for the interim period ended 30 June 2008 that is included in these unaudited condensed consolidated interim financial statements is derived from the Group's audited consolidated financial statements for the year ended 31 December 2008 and unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 respectively.

Except for the impact of the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as described in note 2, the same accounting policies as those adopted in the audited consolidated financial statements for the year ended 2008 have been applied in the preparation of these unaudited condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis and are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the company.

*Loss of books and records of the Group*

Since their appointment, the books and records recovered from the office of the Group by the Provisional Liquidators were minimal. Despite the Provisional Liquidators' best endeavours to locate all the financial and business records of the Group, they are still unable to recover most of the books and records of the Group. The Provisional Liquidators were also verbally advised by certain former staff of the Group that prior to the appointment of the Provisional Liquidators, some of the relevant books and records of the Group had been transferred to a warehouse located in the People's Republic of China ("PRC") which was subsequently on fire. However, the Provisional Liquidators were unable to verify the validity of this information. Furthermore, the Provisional Liquidators were also unable to get the cooperation of the ex-directors of the Company and the Group's former accounting personnel. In these regards, the Company will look into the matters related to the loss of books and records.

Accordingly, the Provisional Liquidators do not have the same knowledge as the directors of the Company would have regarding the financial affairs of the Group, particularly in relation to transactions entered into by the Group prior to their appointment.

Although the audited consolidated financial statements for the year ended 31 December 2008 (which were disclaimed by the independent auditor of the Group) had been prepared by the Provisional Liquidators based on the books and records of the Group available to the Provisional Liquidators, the Provisional Liquidators were unable to satisfy themselves regarding the treatments of various transactions and balances of the Group for the year ended 31 December 2008 in the absence of sufficient available information. Any adjustment subsequently found to be necessary might have a consequential significant effect on the Group's results and financial position as set out in the audited financial statements for the year ended 31 December 2008 and the related disclosures therein.

In view of the above, the Provisional Liquidators are unable to ascertain whether the opening balances of these unaudited condensed consolidated interim financial statements have been properly reflected by the books and records of the Company and its subsidiaries. In addition, the corresponding figures as shown in these condensed consolidated interim financial statements may not be comparable with the figures for the current interim period.

#### *Deconsolidation of subsidiaries*

Certain subsidiaries of the Group had been deconsolidated during the year ended 31 December 2008. Details of which had been disclosed in note 2 to the final results announcement for the year ended 31 December 2008.

#### *Going Concern*

The Group incurred a loss attributable to owners of the Company of approximately HK\$3,204,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: profit of approximately HK\$94,579,000) and as at 30 June 2009 the Group had net current liabilities of approximately HK\$237,262,000 (31 December 2008: approximately HK\$234,058,000) and net liabilities of approximately HK\$237,262,000 (31 December 2008: approximately HK\$234,058,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which has assumed that the proposed restructuring of the Company as detailed in note 13 will be successfully completed, and that, following the proposed restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the unaudited condensed consolidated interim financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise.

## **2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations, that are first effective or available for early adoption for the current accounting period of the Company. The Company has determined the accounting policies expected to be adopted in the preparation of the Group's consolidated financial statements for the year ended 31 December 2009 on the basis of HKFRSs currently in issue.

HKAS 1 (Revised): "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009) has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had impact on the reported results or financial position of the Group.

HKFRS 8: “Operating Segments” (effective for annual periods beginning on or after 1 January 2009) requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### 3. REVENUE AND SEGMENT INFORMATION

#### *Business segments*

For management purposes, the Group is principally engaged in the supply and procurement of semiconductors and related products during the interim period. However, due to lacking of working capital and the fact that most of the employees of the Group had left or had their services terminated, most of the Group’s subsidiaries were inactive since October 2008. For the six months ended 30 June 2009, the Group recorded a total revenue of approximately HK\$209,000 from the semiconductors and related business, operated by a special purpose vehicle set up in June 2009. Segment information about those businesses is presented below:

#### **For the six months ended 30 June 2009**

	<b>Semiconductors and related business HK\$’000</b>	<b>Auto devices and parts business HK\$’000</b>	<b>Wireless device and solutions business HK\$’000</b>	<b>Consolidated HK\$’000</b>
<b>Revenue</b>				
External sales	<u>209</u>	<u>–</u>	<u>–</u>	<u>209</u>
Segment results	<u>4</u>	<u>–</u>	<u>–</u>	<u>4</u>
Unallocated corporate/other income				20
Unallocated corporate expenses				(2,192)
Provision for bank guarantees for deconsolidated subsidiaries				(1,036)
Finance costs				–
Loss before tax				<u>(3,204)</u>

**For the six months ended 30 June 2008**

	Semiconductors and related business <i>HK\$'000</i>	Auto devices and parts business <i>HK\$'000</i>	Wireless device and solutions business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>				
External sales	<u>330,011</u>	<u>358,385</u>	<u>169,414</u>	<u>857,810</u>
Segment results	<u>16,393</u>	<u>81,434</u>	<u>24,150</u>	121,977
Unallocated corporate other income				164
Unallocated corporate expenses				(5,665)
Finance costs				<u>(3,818)</u>
Profit before tax				<u>112,658</u>

*Note:* No inter-segment sales is noted for both periods.

**4. OTHER INCOME**

	<b>Six months ended</b>	
	<b>30.6.2009</b>	30.6.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain, net	–	107
Gain on disposal of property , plant and equipment	<b>20</b>	–
Interest income	–	29
Rental income	–	28
Technical service income	–	163
Sundry income	–	509
	<u><b>20</b></u>	<u>836</u>

**5. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30.6.2009</b>	30.6.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdraft	<u>–</u>	<u>3,818</u>

## 6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax has been arrived at after charging:

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Cost of inventories sold	202	708,599
Depreciation of property, plant and equipment	–	1,680
Equity settled share based payment included in selling expenses	–	88
Equity settled share based payment included in general and administrative expenses	–	172
	<u>          </u>	<u>          </u>

## 7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period	–	13,638
People's Republic of China Enterprise Income Tax	–	2,955
	<u>          </u>	<u>          </u>
	–	16,593
Deferred tax		
Provision for the period	–	1,449
Attributable to change in tax rate	–	(10)
	<u>          </u>	<u>          </u>
	–	1,439
	<u>          </u>	<u>          </u>
	–	18,032
	<u>          </u>	<u>          </u>

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 8. DIVIDEND

There will not be a payment of interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).



## 9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	Six months ended	
	30.6.2009	30.6.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share:		
(Loss)/profit for the period attributable to equity holders of the Company	<u><u>(3,204)</u></u>	<u><u>94,579</u></u>
	Six months ended	
	30.6.2009	30.6.2008
Number of shares:		
Weighted average number of shares for the purpose of basic (loss)/earnings per share	1,864,780,000	1,864,695,385
Effect of dilutive potential shares arising from share options	<u>N/A</u>	<u>9,019,306</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><u>N/A</u></u>	<u><u>1,873,714,691</u></u>

No diluted loss per share for the six months ended 30 June 2009 is presented because the impact of the exercise of the share options was anti-dilutive.

## 10. TRADE RECEIVABLES

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	Six months ended	
	30.6.2009	30.6.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
30 days or less	<u><u>209</u></u>	<u><u>—</u></u>

## 11. TRADE PAYABLES

The aging analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
30 days or less	202	–

## 12. FINANCIAL GUARANTEE LIABILITIES

As a result of the deconsolidation of certain subsidiaries of the Company from the consolidated financial statements of the Group since 1 July 2008, the Company is liable to financial guarantee liabilities in respect of the bank loans of the deconsolidated subsidiaries to which the Company has provided its corporate guarantee for those bank loans.

The amount of financial guarantee liabilities provided for in these unaudited condensed consolidated interim financial statement does not include any interest or charges that may arise in future.

## 13. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

### *Winding-up petition*

After several adjournments, the petition filed by Gold Star International Holdings Limited against the Company was ordered by the High Court to be further adjourned to 17 May 2010.

### *Listing status*

On 30 July 2009, the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) issued a second decision letter (the “Second Decision Letter”) to the Company in relation to placing the Company into the second stage of the delisting procedures under Practice Note 17 of the Listing Rules after taking into consideration that the Company had failed to submit to the Stock Exchange any resumption proposal before 20 July 2009 and the Stock Exchange was of the view that the Company did not have an operation in compliance with Rule 13.24 of the Listing Rules. According to the Second Decision Letter, the Company was required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before 29 January 2010, the expiry of the six-month period from the date the Company was placed in the second stage of the delisting procedures.

### *Proposed restructuring of the Group*

On 3 July 2009, Brilliant Capital International Limited (the “Investor”) and Global Winner Enterprises Limited, a wholly owned subsidiary of the Company acting as an operating subsidiary to resume and continue the existing business of the Group (the “Operating Subsidiary”) entered into a working capital facility agreement pursuant to which the Investor agreed to provide a loan facility of up to HK\$8 million (or such higher amount as the Investor may agree from time to time) (the “Working Capital Facility”) to the Operating Subsidiary to enable it to meet its working capital needs. The Working Capital Facility is secured by a debenture executed on 3 July 2009 by the Operating Subsidiary in favour of the Investor. The Group has since resumed its trading of semiconductors and related products business through the Operating Subsidiary. In addition, the Group continues to look for business opportunities to expand its semiconductor business in order to acquire additional customers and generate synergy benefits to its existing business. Furthermore, the Group is also seeking opportunities to reactivate its other principal business so that it can capture the development and trends in the market.

On 9 December 2009, the Operating Subsidiary and Telecycle, a US incorporated limited liability company (“Telecycle”) entered into a memorandum of understanding, pursuant to which both parties had agreed to set up a joint venture owned as to 70% by the Operating Subsidiary and 30% by Telecycle. The joint venture is tentatively to be established in November 2010 and will be principally engaged in collecting and recycling end-of-life telecom equipment in Asia, with a focus on the Greater China area.

On 26 March 2010, the Operating Subsidiary, 廈門華聯電子有限公司 (Xiamen Hulian Electrical Co., Ltd.\*) and 佛山聯創華聯電子有限公司 (Fohsan Lianchuang Hualian Electrical Co., Ltd.\*) (the “Target Company”) entered into a capital increase agreement, pursuant to which the Operating Subsidiary had conditionally agreed to subscribe for additional registered capital of the Target Company. Upon completion, the Operating Subsidiary will own 52.38% equity interest of the Target Company.

### *Winding up of certain subsidiaries*

Hoover Technologies Limited (in Liquidation) (“Hoover Technologies”) was initially placed under creditors’ voluntary liquidation on 5 March 2009. Subsequently, a winding-up order was made against Hoover Technologies by the High Court. On 23 September 2009, Mr. Pui Chiu Wing and Miss Cheung Lai Kuen of Neil Collins Corporate Advisory Services Limited were appointed joint and several provisional liquidators of Hoover Technologies by the official receiver under section 194(1A) of the Companies Ordinance (Cap 32) of the Laws of Hong Kong. On 17 December 2009, resolutions were passed at meetings of contributories and creditors where Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, both of Ernst & Young Transactions Limited, were appointed as the joint and several liquidators in place of the said joint and several provisional liquidators. It was further resolved that an application to be submitted to the court for an order to conduct the liquidation of Hoover Technologies as if it is a creditors’ voluntary liquidation and no committee of inspection was formed. The relevant order was granted by the High Court on 19 March 2010.

## **BUSINESS REVIEW**

The principal activity of the Company is investment holding. The Group is principally engaged in three businesses, namely i) semiconductors and related businesses; ii) auto devices and parts business; and iii) wireless device and solutions business. However, due to lack of working capital and the fact that most of the employees of the Group had left or had their services terminated, most of the Group's subsidiaries were inactive since October 2008. In June 2009, the Group resumed the semiconductors and related business upon the provision of the Working Capital Facility by the Investor. For the six months ended 30 June 2009, the Group recorded a total revenue of approximately HK\$209,000 for the semiconductors and related business.

Trading in the shares of the Company has been suspended since 2 December 2008.

## **APPOINTMENT OF PROVISIONAL LIQUIDATORS**

On 24 December 2008, the High Court appointed Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, both of Ernst & Young Transactions Limited, as the Provisional Liquidators of the Company.

After few adjournments, the High Court has ordered the hearing of the petition filed by Gold Star International Holdings Limited against the Company to be adjourned to 17 May 2010 to allow more time for the implementation of a proposed restructuring of the Company.

Pursuant to an order of the High Court, the Provisional Liquidators would, inter alia, take into their custody and protect all the assets of the Group and to carry on and stabilise the operations of the Group, including facilitating a proposed restructuring of the Company until such time a further order is made. The Provisional Liquidators are independent third parties who do not have connection with the Company or any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates as defined in the Listing Rules.

Further details of the Company's status are set out in note 1 to the condensed consolidated interim financial statement.

## **PROPOSED RESTRUCTURING OF THE COMPANY AFTER APPOINTMENT OF THE PROVISIONAL LIQUIDATORS**

On 2 January 2009, the Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited as the financial adviser (the "Financial Adviser") to the Company to assist them in identifying interested investors and with a view to restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

On 21 January 2009, the Listing Division of the Stock Exchange issued a letter (the "First Decision Letter") expressing its concerns over the condition of the Company and informing the Company that in view of the financial difficulties which had seriously impaired the situation of the Group and because of its inability to continue its business thereby causing the cessation of the Group's operations, the Company had been placed in the first stage of the delisting procedures on 2 December 2008, pursuant to

the Listing Rules. According to the First Decision Letter, the Company was required to submit a viable resumption proposal and demonstrate its compliance with Rule 13.24 of the Listing Rules on or before 20 July 2009.

On 11 May 2009, an exclusivity agreement (the “Exclusivity Agreement”) was entered into amongst the Investor, Mr. Paul Suen (“Mr. Suen”), the Company and the Provisional Liquidators to grant the Investor exclusivity to prepare and submit a resumption proposal to the Stock Exchange with a view to resume the trading in the shares of the Company, and to negotiate in good faith and enter into a legally binding formal agreement for the implementation of the restructuring proposal in connection with the proposed restructuring of the Company.

On 18 June 2009, the High Court ratified the Provisional Liquidators’ execution of the Exclusivity Agreement and granted leave to the Provisional Liquidators to set up two special purpose vehicles to facilitate the proposed restructuring of the Company.

On 26 June 2009, with the sanction of the High Court, the Company set up two wholly-owned subsidiaries, one of them is to function as an immediate holding company and the other one would be acting as an operating subsidiary to resume and continue the existing business of the Group.

On 3 July 2009, the Investor and the Operating Subsidiary entered into a working capital facility agreement pursuant to which the Investor had agreed to provide a Working Capital Facility to the Operating Subsidiary to enable it to meet its working capital needs. The Working Capital Facility had been secured by a debenture executed on 3 July 2009 by the Operating Subsidiary in favour of the Investor.

On 30 July 2009, the Stock Exchange issued the Second Decision Letter to the Company in relation to its decision to place the Company into the second stage of the delisting procedures pursuant to Practice Note 17 of the Listing Rules for reasons of the Company failing to submit to the Stock Exchange any resumption proposal before 20 July 2009 and maintain an operation in compliance with Rule 13.24 of the Listing Rules. According to the Second Decision Letter, the Company was required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before 29 January 2010 being the expiry of the six-month period from the date the Company had been placed in the second stage of the delisting procedures.

The Company has since resumed its trading of semiconductors and related products business through the Operating Subsidiary.

On 9 December 2009, the Operating Subsidiary and Telecycle entered into a memorandum of understanding, pursuant to which, both parties had agreed to set up a joint venture owned as to 70% by the Operating Subsidiary and 30% by Telecycle. The joint venture is tentatively to be established in November 2010, and will be principally engaged in collecting and recycling end-of-life telecom equipment in Asia, with a focus on the Greater China area.

On 26 March 2010, the Operating Subsidiary, 廈門華聯電子有限公司 (Xiamen Hualian Electrical Co., Ltd.\*) and the Target Company entered into a capital increase agreement, pursuant to which the Operating Subsidiary conditionally agreed to subscribe for additional registered capital of the Target Company. Upon completion, the Operating Subsidiary will own 52.38% equity interest of the Target Company.

The Target Company is an integrated turnkey solution and one-stop services provider of microcontrollers, including sourcing of components, designing circuits and layouts, assembling, testing and delivery of microcontrollers to its customers. Its products are currently used in household appliances, such as air conditioners, refrigerators, water heaters, electric rice cookers etc. It currently has over 270 employees with over 15 of them engaged in the research and development (“R&D”) functions and there are five assembly lines in its plants located in Foshan, the PRC. With its own R&D team, the Target Company can design the microcontroller based on the specifications required by its customers, which use a microcontroller as one of the key components to assemble their final electronic products and electrical appliances. The customers of the Target Company/end users of the microcontrollers produced by the Target Company include many major electronic products and electrical appliances manufacturers in the world, such as Panasonic, Toshiba, Sanyo, Ferrol, Midea, Changhong etc..

On 14 January 2010, the Financial Adviser submitted a resumption proposal to the Stock Exchange on behalf of the Company. The Resumption Proposed has set out a restructuring proposal, which, if successfully implemented, will, amongst other things, result in:

- a capital reorganisation of the share capital of the Company and the issuance of new shares of the Company;
- all claims of the Company being discharged by way of schemes of arrangement in Hong Kong and the Cayman Islands, as appropriate; and
- resumption of trading in the shares of the Company upon completion of the Proposed Restructuring.

The Company is confident that after a full implementation of the Proposed Restructuring together with the Investor’s strong support in the business and financial aspects, the Group will be able to improve its business operations and financial position continuously.

## FINANCIAL REVIEW

The Group's turnover for the six months ended 30 June 2009 was approximately HK\$209,000, a very substantial decrease of approximately HK\$857,601,000 or almost 100% compared with the turnover for the previous interim period which was approximately HK\$857,810,000.

An analysis of the Group's financial performance by business segments is as follows:

	<b>Semiconductors and related business HK\$'000</b>	<b>Auto devices and parts business HK\$'000</b>	<b>Wireless device and solutions business HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Six months ended 30 June 2009</b>				
Turnover	<u>209</u>	<u>–</u>	<u>–</u>	<u>209</u>
Segment results	<u>4</u>	<u>–</u>	<u>–</u>	<u>4</u>
<b>Six months ended 30 June 2008</b>				
Turnover	<u>330,011</u>	<u>358,385</u>	<u>169,414</u>	<u>857,810</u>
Segment results	<u>16,393</u>	<u>81,434</u>	<u>24,150</u>	<u>121,977</u>

The Company had continued to record a loss for the six months ended 30 June 2009. Loss attributable to owners of the Company for the six months ended 30 June 2009 was approximately HK\$3,204,000 as contrasted to the previous interim period's profit attributable to the Company's shareholders of approximately HK\$94,579,000.

For the six months ended 30 June 2009, the basic loss per share was approximately 0.17 Hong Kong cents as contrasted to the previous interim period's basic earnings per share of approximately 5.07 Hong Kong cents.

## LIQUIDITY AND FINANCIAL RESOURCES

To the best knowledge of the Provisional Liquidators, as at 30 June 2009, the Group had cash held by the Provisional Liquidators of approximately HK\$3,575,000 (31 December 2008: bank and cash balances of approximately HK\$724,000). The Group had total assets of approximately HK\$3,784,000 (31 December 2008: approximately HK\$724,000) which was financed by current liabilities of approximately HK\$241,046,000 (31 December 2008: approximately HK\$234,782,000) and shareholders' deficit of approximately HK\$237,262,000 (31 December 2008: approximately HK\$234,058,000). The current ratio was approximately 1.6%(31 December 2008: 0.3%).

The gearing ratios of the Group for both the six months ended 30 June 2009 and year ended 31 December 2008 could not be determined as the Group had net liabilities as at both dates.

## **PROSPECTS**

Since October 2009, the Company has resumed its supply and procurement of semiconductors and related products business through the Operating Subsidiary.

The subscription of the additional registered capital of the Target Company represents a good opportunity for the Group to recommence its electronic turnkey device solutions business and to create a synergy effect with its existing semiconductors business as some of the semiconductors used in the products of the Target Company can be sourced through the Company's existing suppliers, thus creating benefits for the Group as a whole through economies of scale and a more efficient supply chain management. It is also expected that upon completion of the capital injection into the Target Company which will then become a subsidiary of the Group, the scale of the Group's business operation will be expanded substantially and will pave a solid foundation for the growth of the Group's electronic turnkey device solutions and semiconductors businesses.

The Group will continue to look for opportunities to expand its business portfolio in order to enlarge its customer base and generate synergy benefits to its existing businesses. Furthermore, the Group is also seeking opportunities to reactivate other principal businesses so that it can capture the development and trends of the market.

Since entering into the Exclusivity Agreement and with the support of the Investor, the Company is gradually rebuilding its business portfolio via two wholly owned subsidiaries. Upon completion of the capital injection into the Target Company, the Group will be in a better position to further develop the businesses of the Group and to capture any attractive investment opportunities that may arise in the future.

## **CONTINGENT LIABILITIES**

As stated in note 12 to unaudited condensed consolidated financial statements, the Company is liable to certain financial guarantee liabilities. However, the Provisional Liquidators had not conducted a full search for contingent liabilities of the Group. All claims against the Company will be subject to a formal adjudication process and will be dealt with and compromised under certain schemes of arrangement to be proposed by the Provisional Liquidators. Save as disclosed above, and to the best knowledge of the Provisional Liquidators, the Provisional Liquidators were not aware of any significant contingent liabilities of the Group as at 30 June 2009 (31 December 2008: nil).

## **PLEDGE OF ASSETS**

To the best knowledge of the Provisional Liquidators, as at 30 June 2009, the Group had not pledged any of its assets.



## COMMITMENTS

To the best knowledge of the Provisional Liquidators, the Group had no significant commitment as at 30 June 2009.

## CAPITAL STRUCTURE

For the six months ended 30 June 2009, to the best knowledge of the Provisional Liquidators, there was no change in the capital structure and issued share capital of the Company.

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

To the best knowledge of the Provisional Liquidators, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

## SHARE OPTION SCHEME

To the best knowledge of the Provisional Liquidators, details of the movements of share options which have been granted to the following category of participants under the Company's share option scheme during the six months ended 30 June 2009 are as follows:

Outstanding share options as at 1 January 2009 and 30 June 2009

Name of category	Date of grant of share options	Exercise period	Exercise price of share options HK\$	Balance as at 1/1/2009	Exercised during the interim period	Lapsed during the interim period	Balance as at 30/6/2009
2009							
Directors	25/6/2007	25/6/2007 to 24/6/2017	0.694	13,100,000	–	–	13,100,000
Employees				–	–	–	–
				<u>13,100,000</u>	<u>–</u>	<u>–</u>	<u>13,100,000</u>
Exercisable at 30 June 2009							<u>13,100,000</u>
Weighted average exercise price (HK\$)				<u>0.694</u>	<u>–</u>	<u>–</u>	<u>0.694</u>

During the interim period no share options was exercised, granted or cancelled.

## **EXPOSURE TO FOREIGN EXCHANGE RISK**

To the best knowledge of the Provisional Liquidators, during the six months ended 30 June 2009, the Group conducted its business transactions principally in Hong Kong dollars and United States dollars. The Group had not experienced any material difficulties or negative effects on its operations as a result of fluctuations in currency exchange rates. The Provisional Liquidators believed it was not necessary to hedge the exchange risk. Nevertheless, the Provisional Liquidators will continue to monitor the foreign exchange exposure and will take prudent measure as deemed appropriate.

## **EMPLOYEES AND REMUNERATION POLICIES**

To the best knowledge of the Provisional Liquidators, as at 30 June 2009, the Group had no employee. During the interim period, the Group remunerated its employees based on their performance and the prevailing industry practices.

## **REVIEW BY AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's unaudited consolidated interim financial statements for the six months ended 30 June 2009. However, due to the fact that most of the books and records of the Group had been lost and all of the Directors, except for Dr. Wong Shu Wing who resigned on 1 March 2010, and the accounting personnel of the Group had left prior to the appointment of the Provisional Liquidators, the review of the financial statements conducted by the audit committee was entirely based on the books and records available to the Provisional Liquidators since their appointment.

As at the date of this report, the audit committee of the Company comprises three independent non-executive directors, namely Messrs. Tso Shiu Kei, Vincent, Young Meng Cheung, Andrew and Poon Ka Lee, Barry (who is the chairman of the audit committee of the Company).

## **MODEL CODE OF THE LISTING RULES**

To the best knowledge of the Provisional Liquidators, since the suspension of the trading in the shares of the Company on 2 December 2008, the Company has found it impracticable to adopt a code of conduct regarding securities transactions by the directors of the Company on terms as set out in Appendix 10: "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") of the Listing Rules. Due to the fact that all of the directors, except for Dr. Wong Shu Wing, who resigned on 1 March 2010, had left prior to the appointment of the Provisional Liquidators, the Provisional Liquidators are unable to comment whether there has been any non-compliance with the required standard in the Model Code for dealing in the securities of the Company for the six months ended 30 June 2009.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

As detailed in note 1 to the unaudited condensed interim financial statements, most of the books and records of the Group had been lost prior to the appointment of the Provisional Liquidators.

Given that (i) Mr. Tso Shiu Kei, Vincent, Mr. Young Meng Cheung, Andrew and Mr. Poon Ka Lee, Barry have been appointed as independent non-executive Directors on 12 October 2009 and were not involved in the management of the Company and the Group, and (ii) Dr. Wong Shu Wing, who was an executive director and chairman of the Company, resigned on 1 March 2010, the Provisional Liquidators were unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the period under review.

## **MANAGEMENT ANALYSIS**

Apart from the information disclosed in this announcement, the Provisional Liquidators are unable to comment on the performance of the Group as set out in paragraphs 32 and 40(2) in Appendix 16 to the Listing Rules throughout the interim period.

## **RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

To the best knowledge of the Provisional Liquidators, during the six months ended 30 June 2009, the Group had not entered into any related party transactions (as defined under HKAS 24: “Related Party Disclosures”), connected transactions and continuing connected transactions (as defined under the Listing Rules).

## **PUBLICATION OF INFORMATION ON WEBSITES**

This results announcement is available for viewing on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.equitynet.com.hk/2336](http://www.equitynet.com.hk/2336).

## SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended at the request of the Company on 2 December 2008 and will remain suspended until further notice.

For and on behalf of  
**Sunlink International Holdings Limited**  
(Provisional Liquidators Appointed)  
**Stephen Liu Yiu Keung**  
**David Yen Ching Wai**  
*Joint and Several Provisional Liquidators*  
*who act without personal liabilities*

Hong Kong, 31 March 2010

*As at the date of this announcement, the Board comprises three independent non-executive directors, namely Mr. Tso Shiu Kei, Vincent, Mr. Young Meng Cheung, Andrew and Mr. Poon Ka Lee, Barry.*

\* *For identification purposes only*