

On behalf of the Board of Directors (the "Board") of Sunlink International Holdings Limited (the "Company"), I present to our shareholders the report and the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2002.

RESULTS

For the financial year ended 31 December 2002, the Group recorded a turnover of approximately HK\$438.2 million, representing an increase of approximately 22% as compared with approximately HK\$359.3 million last year. The Group's gross profit margin was remained at approximately 17%.

During the year, profit attributable to shareholders of the Group was approximately HK\$30.7 million, representing a net profit margin of 7% which was remained at approximately the same level as that of last year.

The Board did not recommend the payment of any final dividend for the year.

BUSINESS REVIEW

During the year, the Group recorded a remarkable growth in turnover for the business of distribution of semiconductors and it was attributable to the fact that:

- (i) The effect of the 9/11 Incident has gradually diminished and the market demand for semiconductors increased because of the growth of the Asian markets during the financial year.
- (ii) The products provided by the new suppliers are highly acceptable by the Group's customers in PRC.

To enhance the Group's position in semiconductors distribution, the Group will continue to expand its portfolio of suppliers.

Apart from the reasons mentioned above, we consider that timely responses to customers' needs as well as keeping abreast of industry technology and market trends are fundamental to the success of the Group. In the course of the design and development of proprietary software for the semiconductors or electronic turnkey device solutions, it provides the Group with continual exposure to the latest development of the needs of customers and the market trend in general. Accordingly, the Group engaged in the development of more complex electronic turnkey device solutions for more customers during the year. As these electronic turnkey device solutions were under development during the year, the full contribution to the Group's turnover and profit were not reflected in the year under review.

PROSPECT

It is expected that there are still uncertainties with the current global economy, we believe that the Group will continue to strengthen its marketing network, tighten its control on operating costs and the credit limit and turnover of accounts receivable. Nevertheless, the Group will prepare itself for the Group's long-term

development by (i) further strengthen its design and development capability to develop more complex electronic turnkey device solutions; (ii) expanding the portfolio of suppliers in order to expand the Group's product range; and (iii) targeting China as a key growth market.

Capitalising on the Group's success in the development and provisions of electronic turnkey device solutions for toys and household appliances, the Group also aims to develop specialty in targeted product segments and extend its business focus to the provision of electronic turnkey devices solutions to the customers of the targeted product segments. At present, the Group intends to develop specialty in two product segments, namely information appliances and GPS products. The Board believes that the electronic turnkey devices developed by the Group will become standardised, low-cost and readily available components to the customers of these product segments, which can be used in the production of their final products.

APPRECIATION

On behalf of the Board, I would like to give thanks to our management team and all our staff for their valuable efforts and significant contribution during the past year. I would also like to express my heartfelt appreciation to all our shareholders, investors, suppliers and customers for their continuous support and encouragement.

Wong Shu Wing

Chairman

Hong Kong, 23 April 2003