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)

Annual Report 2008

* *for identification purpose only*

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CORPORATE INFORMATION

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS
Mr. Liu Yiu Keung, Stephen
(Appointed by the High Court of HKSAR on 24 December 2008)
Mr. Yen Ching Wai, David
(Appointed by the High Court of HKSAR on 24 December 2008)

BOARD OF DIRECTORS

Executive Director
Dr. Wong Shu Wing *(Chairman)*
(resigned on 1 March 2010)

Independent Non-Executive Directors
Mr. Tso Shiu Kei, Vincent
(Appointed on 12 October 2009)
Mr. Young Meng Cheung, Andrew
(Appointed on 12 October 2009)
Mr. Poon Ka Lee, Barry
(Appointed on 12 October 2009)

AUDITOR
ANDA CPA Limited

REGISTERED OFFICE
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

PRINCIPAL OFFICE
62th Floor, One Island East
18 Westlands Road, Island East
Hong Kong

SHARE REGISTRARS

Principal Share Registrar and Transfer Office
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office
Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen’s Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS
(prior to the appointment of the Provisional Liquidators)
Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited (Hong Kong Branch)
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Shanghai Commercial Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited
Wing Hang Bank Limited

STOCK CODE
2336

COMPANY WEBSITE
http://www.equitynet.com.hk/2336

To the best knowledge of the joint and several provisional liquidators (the "Provisional Liquidators") of Sunlink International Holdings Limited (Provisional Liquidators Appointed) (the "Company", together with its subsidiaries, the "Group"), the biographical details of the directors of the Company (the "Directors") are set out as follows.

EXECUTIVE DIRECTOR

Dr. Wong Shu Wing, aged 46, was the chairman of the Group. He resigned as an executive Director with effect from 1 March 2010. Dr. Wong was responsible for formulating the Group's overall corporate strategies and business development. He was the founder of the Group and had over 20 years of experience in the electronic and wireless communication industries. Dr. Wong was also the pioneer in the region leading the wireless communication market and automobile electronics in technology and business development. Dr. Wong had been awarded the "World Outstanding Chinese" from the World Outstanding Chinese Association and the "Young Industrialist Award of Hong Kong" from the Federation of Hong Kong Industries. He holds an honorable doctoral degree in Business and Administration from Adam University, U.S.A..

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tso Shiu Kei, Vincent, aged 43, is a solicitor practising in Hong Kong and a partner of K&L Gates. He has extensive experience in corporate finance and corporate compliance related work in Hong Kong and China. Mr. Tso obtained a bachelor degree in laws and a bachelor degree in commerce from the University of Queensland, Australia. He was admitted as a solicitor in Australia in 1992 and in Hong Kong in 1994.

Mr. Young Meng Cheung, Andrew, aged 50, is a chartered professional engineer of the Institution of Engineers, Australia. Mr. Young has over 20 years experience in technology management, engineering consultation and management consulting. He has worked for the Hong Kong Polytechnic University ("PolyU") since 1998 and is currently the Director of Partnership Development at PolyU. He is currently a non-executive director of Eco-Tek Holdings Limited (stock code: 8169), a director of the Hong Kong Plastics Technology Centre Ltd, and also the director of various private companies.

Mr. Poon Ka Lee, Barry, aged 50, is an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants. Mr. Poon has over 25 years experience in audit and accounting and is currently the sole proprietor of K.L. Poon & Co., CPA. Mr. Poon holds a professional diploma in accountancy from PolyU and a master degree in business administration from the University of Manchester.

REPORT OF THE PROVISIONAL LIQUIDATORS

The Provisional Liquidators present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2008 based on the books and records made available to them.

On 2 December 2008, trading in the shares of the Company (the "Shares") was suspended on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Provisional Liquidators were appointed under an order by the High Court of Hong Kong Court of First Instance (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 ex-directors of the Company would have, in particular the transactions entered into by the Group prior to their appointment.

The board (the "Board") of the Directors has authorised the Provisional Liquidators to sign, approve, publish and do all such acts in connection with the annual report. The Provisional Liquidators are responsible for the accuracy and completeness of the contents of this report and the audited consolidated financial statements for the year ended 31 December 2008 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 annual report and the audited consolidated financial statements for the year ended 31 December 2008 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 annual report. The basis of preparation of these audited consolidated financial statements have been set out in note 2 to the audited consolidated financial statements.

WINDING UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

A winding-up petition (the "Petition") and an application for the appointment of the Provisional Liquidators were presented and filed to the High Court of the Hong Kong Special Administrative Region by Gold Star International Holdings Limited, a creditor of the Company, on 1 December 2008 and 10 December 2008 respectively.

On 11 December 2008 and 16 December 2008, Hang Seng Bank Limited, a creditor of the Company, filed a notice of intention to appear and support the Petition and an application for the appointment of the Provisional Liquidators to preserve the Company's assets for the benefits of all creditors of the Company respectively.

WINDING UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS (continued)

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 to be adjourned to 17 May 2010 to allow more time for the implementation of a proposed restructuring of a 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 as 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Further details of the Company's status are set out in note 2 to the audited consolidated financial statements.

PROPOSED RESTRUCTURING OF THE COMPANY AFTER THE APPOINTMENT OF 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.

PROPOSED RESTRUCTURING OF THE COMPANY AFTER THE APPOINTMENT OF PROVISIONAL LIQUIDATORS (continued)

On 11 May 2009, an exclusivity agreement (the "Exclusivity Agreement") was entered into amongst Brilliant Capital International Limited (the "Investor"), Mr. Paul Suen ("Mr. Suen"), the Company and the Provisional Liquidators to grant the Investor an exclusivity to prepare and submit a resumption proposal to the Stock Exchange with a view to resume the trading in the Shares, 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 (the "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 facility of up to HK$8 million (the "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 issued on 3 July 2009 by the Operating Subsidiary in favour of the Investor.

PROPOSED RESTRUCTURING OF THE COMPANY AFTER THE APPOINTMENT OF PROVISIONAL LIQUIDATORS (continued)

On 30 July 2009, the Stock Exchange issued a letter to the Company (the "Second Decision Letter") in relation to its decision to place the Company in the second stage of the delisting procedures pursuant to Practice Note 17 of the Listing Rules for reasons of the Company failure to submit to the Stock Exchange any resumption proposal before 20 July 2009 and to 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, LLC., 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 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 Electronics Company Limited*) and 佛山聯創華聯電子有限公司 (Foshan Lianchuang Hualian Electronics Company Limited*) (the "Target Company") entered into a capital increase agreement, pursuant to which the Operating Subsidiary conditionally agreed to subscribe for an additional registered capital of the Target Company. Upon completion, the Operating Subsidiary will own 52.38% equity interest of the Target Company.

PROPOSED RESTRUCTURING OF THE COMPANY AFTER THE APPOINTMENT OF PROVISIONAL LIQUIDATORS (continued)

The Target Company is an integrated electronic turnkey device 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 functions ("R&D") and there are five assembly lines in its plants located in Foshan, the People's Republic of China (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, Ferroli, Midea, Changhong etc..

On 14 January 2010, the Financial Adviser submitted a resumption proposal ("Resumption Proposal") to the Stock Exchange on behalf of the Company. The Resumption Proposed has set out a restructuring proposal (the "Proposed Restructuring"), 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.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in three businesses, namely i) semiconductors and related business; ii) auto devices and parts business; and iii) wireless device and solutions business. 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. The principal activities of its subsidiaries are set out in note 39 to the audited consolidated financial statements.

RESULTS AND APPROPRIATIONS

During the year, most of the books and records of the Group had been lost and all of the Directors, except for Dr. Wong Shu Wing ("Dr. Wong") who resigned on 1 March 2010, and the accounting personnel had left prior to the appointment of the Provisional Liquidators and the appointment of the existing independent non-executive Directors. The existing Directors and the Provisional Liquidators have used their best endeavors to locate all the books and records but in vain and could only obtain certain information including the consolidation spreadsheets in respect of the interim report for the six months ended 30 June 2008 and copies of certain bank statements for the period from 1 January 2008 to 31 December 2008.

The Group had undertaken business activities and operations during the year ended 31 December 2008. However, due to limited books and records available, the existing Directors and Provisional Liquidators were unable to reconstruct complete accounting records that could fairly present the effect of transactions, events and conditions of those business activities and operations undertaken by the Group. As a result, the financial results of certain subsidiaries for the Group for the period from 1 July 2008 to 31 December 2008 have been deconsolidated from the financial results of the Group.

As a result of limited books and records available for the period from 1 January 2008 to 31 December 2008 as mentioned above, the Group's turnover for the year ended 31 December 2008 was approximately HK$857,810,000, a substantial decrease of approximately HK$457,057,000 or 35% compared with the turnover for the previous year which was approximately HK$1,314,867,000.

FINANCIAL REVIEW

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

	Semiconductors and related business *HK$'000*	Auto devices and parts business *HK$'000*	Wireless device and solutions business *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2008				
Turnover	**330,011**	**358,385**	**169,414**	**857,810**
Segment results	**16,393**	**81,434**	**24,150**	**121,977**
Year ended 31 December 2007				
Turnover	672,560	381,560	260,747	1,314,867
Segment results	18,915	86,327	27,080	132,322

The Company recorded a huge loss for the year ended 31 December 2008. Loss attributable to the Company's shareholders for the year ended 31 December 2008 was approximately HK$534,898,000 as contrasted to the previous year's profit attributable to the Company's shareholders of approximately HK$100,510,000, mainly resulting from the loss on deconsolidation subsidiaries and impairment in investment costs and amounts due from deconsolidated subsidiaries of approximately HK$425,876,000 and the other loss of approximately HK$206,495,000.

For the year ended 31 December 2008, the basic loss per share was approximately HK$0.29 as contrasted to the previous year's basic earnings per share of approximately HK$0.06.

To the best knowledge of the Provisional Liquidators, the loss of the Group for the year ended 31 December 2008 and the state of affairs of the Group at that date are set out in the annual report on pages 33, 34 and 35 respectively.

RESERVES

To the best knowledge of the Provisional Liquidators, details of movements in the reserves of the Group during the year are set out on page 36 of this Annual Report.

LIQUIDITY AND FINANCIAL RESOURCES

To the best knowledge of the Provisional Liquidators, as at 31 December 2008, the Group had bank and cash balances of approximately HK$724,000 (2007: approximately HK$100,828,000). The Group had total assets of approximately HK$724,000 (2007: approximately HK$568,475,000) which was financed by current liabilities of approximately HK$234,782,000 (2007: approximately HK$262,479,000), minority interests of HK$nil (2007: approximately HK$1,103,000) and shareholders' deficit of approximately HK$234,058,000 (2007: shareholders' equity of approximately HK$304,714,000). The current ratio was approximately 0.3% (2007: 210.8%). The gearing ratio of the Group could not be determined as the Group had net liabilities as at 31 December 2008 (2007: approximately 38.1%). The gearing ratio was calculated based on the total borrowings to the sum of equity attributable to equity holders of the Company and total borrowings of the Group.

DIVIDEND

There will not be a payment of any final dividend for the year ended 31 December 2008 (2007: Nil).

MATERIAL DISPOSALS

As disclosed in note 2 to the audited consolidated financial statements, the Provisional Liquidators consider that control of the Company over certain major subsidiaries including Apson Electronic Products Limited (In Liquidation), Kingful Investment Limited (In Liquidation), Sun Horse Technologies (H.K.) Limited (In Liquidation), Sunlink Apson Multi-media Limited (In Liquidation), Sunlink Hi-Tech Limited (In Liquidation), Sunlink mSolutions Limited (In Liquidation), Sunwave Computers Limited (In Liquidation), Sunwave Development Limited (In Liquidation) and Tech-Link T&E Limited (In Liquidation) (collectively, the “CVL Subsidiaries”), together with Hoover Technologies Limited (In Liquidation) (“Hoover Technologies”) and Jun Tai Yang Technologies (Shenzhen) Limited (“JTYT”) had been lost since 1 July 2008. The results, assets and liabilities and cashflow of these subsidiaries were therefore deconsolidated from the audited consolidated financial statements of the Group since then.

The assets and liabilities of these deconsolidated subsidiaries as at 1 July 2008 were as follows:

	HK$’000
Assets	
Property, plant and equipment	28,614
Club debenture	874
Investment held for trading	55
Inventories	99,480
Trade receivables	461,098
Prepayments, deposits and other receivables	67,834
Due from an associate	3,800
Tax recoverable	30
Bank and cash balances	67,397
	729,182
Liabilities	
Trade and bills payables	57,923
Accruals and other payables	34,589
Current tax liabilities	35,597
Bank loans	199,065
Deferred taxation	1,618
Net amount due to the Group	112,402
	441,194
	287,988

PROSPECTS

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

The proposed 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 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 proposed 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 proposed 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.

CAPITAL STRUCTURE

For the year ended 31 December 2008, to the best knowledge of the Provisional Liquidators, there was no change in the capital structure and issued share capital of the Company.

PROPERTY, PLANT AND EQUIPMENT

To the best knowledge of the Provisional Liquidators, movements in the property, plant and equipment of the Group during the year ended 31 December 2008 are set out in note 18 to the audited consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

To the best knowledge of the Provisional Liquidators, as at 31 December 2008, the Group had no employee (2007: 153). During the year, the Group remunerated its employees based on the performance and the prevailing industry practices.

BANK LOANS AND OTHER BORROWINGS

To the best knowledge of the Provisional Liquidators, particulars of bank loans and other borrowings of the Group as at 31 December 2008 are set out in note 25 to the audited consolidated financial statements.

CONTINGENT LIABILITIES

The Provisional Liquidators had not conducted a full search for contingent liabilities of the Group. However, all claims against the Company will be subject to a formal adjudication process, dealt with and compromised under the proposed schemes of arrangement of the Company.

Save as disclosed above, to the best knowledge of the Provisional Liquidators, the Groups did not have any significant contingent liabilities as at the balance sheet date (2007: nil).

PLEDGE OF ASSETS

To the best knowledge of the Provisional Liquidators, as at 31 December 2008, the Group had pledged the following assets to secure general banking facilities at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	–	5,803
Pledged bank deposits	–	2,000
	–	7,803

LEASE COMMITMENTS

To the best knowledge of the Provisional Liquidators, as at 31 December 2008, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2008	2007
	HK$'000	*HK$'000*
Office premises		
Within one year	–	1,704
In the second to fifth year inclusive	–	212
	–	1,916
Office equipment		
Within one year	–	16
In the second to fifth year inclusive	–	15
	–	31

Operating lease payments represent rentals payable by the Group for certain of its office premises and office equipment. Leases are fixed and negotiated for terms ranging from 12 to 60 months.

CAPITAL COMMITMENT

To the best knowledge of the Provisional Liquidators, the Group's capital commitments at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Acquisition of plant and equipment contracted but not provided for	–	5,089

SHARE CAPITAL

To the best knowledge of the Provisional Liquidators, details of the movements in the share capital of the Company are set out in note 29 to the audited consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions are set out in note 37 to the audited consolidated financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details of the significant events after the balance sheet date of the Group are set out in note 38 to the audited consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published consolidated results, assets, liabilities, equity and minority interests of the Group for the last five financial years is set out on page 87. This summary is for information only, it does not form part of the audited consolidated financial statements.

MANAGEMENT ANALYSIS AND DISCUSSION

The Provisional Liquidators were appointed to the Company on 24 December 2008. Consequently, apart from the information disclosed in this Report of the Provisional Liquidators and the notes to the audited consolidated financial statements for the year ended 31 December 2008, the Provisional Liquidators are unable to comment as to the performance of the Group as set out in paragraphs 32 and 40(2) in the Appendix 16 of the Listing Rules throughout this year.

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 purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2008.

EXPOSURE TO FOREIGN EXCHANGE RISK

During the year, 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 Board believed it was not necessary to hedge the exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measure as deemed appropriate.

SHARE OPTION SCHEME

To the best knowledge of the Provisional Liquidators, particulars of the Company's shares option scheme are set out in note 31 to the audited consolidated financial statements.

Details of the share options which have been granted to the following category of participants under the share option scheme during the year ended 31 December 2008 are as follows:

SHARE OPTION SCHEME (continued)

Name of category	Date of grant of share options	Exercise period	Exercise price of share options HK$	Balance as at 1/1/2008	Exercised during the year	Lapsed during the year	Balance as at 31/12/2008
Directors	25/6/2007	25/6/2007 to 24/6/2017	0.694	26,900,000*	–	(13,800,000)	13,100,000
	13/8/2007	13/8/2007 to 12/8/2017	0.520	200,000#	–	(200,000)	–
Employees	25/6/2007	25/6/2007 to 24/6/2017	0.694	20,400,000	(100,000)	(20,300,000)	–
	13/8/2007		0.520	75,904,800	–	(75,904,800)	–
				123,404,800	(100,000)	(110,204,800)	13,100,000
Exercisable at 31 December 2008							13,100,000
Weighted average exercise price (HK$)				0.587	0.694	0.574	0.694

During the year, 100,000 share options were exercised and no share option was granted or cancelled.

* Included in the outstanding share options as at 1 January 2008 are 3,000,000 of share options granted to Dr. Lau Kit Hung who resigned as a director of the Company on 30 September 2007.

Included in the outstanding share options as at 1 January 2008 are 200,000 of share options granted to Ms. Wong Lai Ying Cecilia who resigned as a director of the Company on 28 September 2007.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

Executive Directors:

Dr. Wong Shu Wing *(resigned on 1 March 2010)*
Mr. Choi Tat Kai *(resigned on 2 December 2008)*
Mr. Han Yang *(appointed on 17 January 2008 and resigned on 17 December 2008)*
Mr. Liu Shun Keung *(appointed on 17 January 2008 and resigned on 17 December 2008)*

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Independent Non-executive Directors:

Mr. Yeung Ming Tai	*(resigned on 17 December 2008)*
Mr. Sun Hanxu	*(resigned on 17 December 2008)*
Mr. Chan Kwok Ming, Daniel	*(resigned on 17 December 2008)*
Mr. Tso Shiu Kei, Vincent	*(appointed on 12 October 2009)*
Mr. Young Meng Cheung, Andrew	*(appointed on 12 October 2009)*
Mr. Poon Ka Lee, Barry	*(appointed on 12 October 2009)*

In accordance with the provisions of the Company's Articles of Association, Mr. Tso Shiu Kei, Vincent, Mr. Young Meng Cheung, Andrew and Mr. Poon Ka Lee, Barry will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

To the best knowledge of the Provisional Liquidators, each of the executive Directors has entered into a service agreement with the Company with an initial term as follows:

Name of executive Director	Date of service agreement	Initial term
Dr. Wong Shu Wing	20 December 2002	three years
Mr. Choi Tat Kai ("Mr. Choi")	20 December 2002	one year
Mr. Han Yang ("Mr. Han")	17 January 2008	one year
Mr. Liu Shun Keung ("Mr. Liu")	17 January 2008	one year

Each of the above service agreements shall continue after their respective initial terms from year to year until terminated by either party with three months' notice in writing served on the other side. All the executive Directors except the chairman of the Board are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's Articles of Association.

During the current financial year, Mr. Choi and Mr. Liu resigned due to their desires to start their own businesses, Mr. Han resigned due to his desire to concentrate on his own business in the PRC.

Dr. Wong Shu Wing resigned as an executive Director with effect from 1 March 2010. Details are set out in note 2 to the audited consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Each of the three resigned independent non-executive Directors had entered into a service agreement with the Company with an initial term of one year as follows:

Name of independent non-executive Director	Date of service agreement
Mr. Yeung Ming Tai ("Mr. Yeung")	20 December 2002
Mr. Sun Hanxu ("Professor Sun")	18 April 2007
Mr. Chan Kwok Ming Daniel ("Mr. Chan")	28 September 2007

The service agreements of Mr. Yeung, Professor Sun and Mr. Chan shall continue after their respective initial terms from year to year until terminated by either party with one month's notice in writing served on the other side.

During the current financial year, Mr. Yeung resigned due to his desire to concentrate on his practice as a certified public accountant, Professor Sun resigned due to his desire to concentrate on his own research project and Mr. Chan resigned due to his desire to concentrate on his own business.

Each of the three existing independent non-executive Directors has not entered into any services contract with the Company and has not been appointed for a specific term. Each independent non-executive Director is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's Articles of Association.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SECURITIES, UNDERLYING SHARES AND DEBENTURES

To the best knowledge of the Provisional Liquidators, as at 31 December 2008, the issued share capital of the Company consisted of ordinary shares. The interests and short positions of the Directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) ("SFO") as recorded in the Company's register kept under section 352 of the SFO were as follows:

Interest in the Company's shares

	Nature of interest		Total number of ordinary shares held		Percentage of the issued share capital
Name of shareholder	Registered shareholder	Corporate interest	Long position	Short position	of the Company
Best Eagle International Limited	571,200,000	–	571,200,000 *(Note)*	–	30.63%
Dr. Wong Shu Wing	38,200,000	571,200,000	609,400,000 *(Note)*	–	32.68%

Note: These shares are held by Best Eagle International Limited, a company incorporated in the British Virgin Islands ("BVI''). The entire issued share capital of Best Eagle International Limited is beneficially owned by Dr. Wong. Therefore, both Best Eagle International Limited and Dr. Wong are deemed to have the duplicate interests in the share capital of the Company under the SFO.

Dr. Wong resigned as an executive Director on 1 March 2010.

Other than as disclosed above, to the best knowledge of the Provisional Liquidators, none of the Directors of the Company, nor their associates, had any interests or short positions in any shares of the Company or any of its associated corporations as at 31 December 2008.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

To the best knowledge of the Provisional Liquidators, other than the issue of shares of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the Provisional Liquidators, no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2008 or at any time during the year then ended.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2008, in accordance with the register of substantial shareholders kept by the Company pursuant to section 336 of the SFO and, to the best knowledge of the Provisional Liquidators, the following persons were interested in the issued capital (including short positions) representing 5% or more of the issued share capital:

	Nature of interest		Total number of ordinary shares held		Percentage of the issued share capital
Name of substantial shareholder	Registered shareholder	Corporate interest	Long position	Short position	of the Company
Best Eagle International Limited	571,200,000	–	571,200,000 *(Note 1)*	–	30.63%
Dr. Wong Shu Wing	38,200,000	571,200,000	609,400,000 *(Note 1)*	–	32.68%
State Street Bank and Trust Company Boston	202,152,000	–	202,152,000 *(Note 2)*	–	10.84%
Fu Guang Holdings Limited	187,481,600	–	187,481,600 *(Note 3)*	–	10.05%
Mr.Lee Yin Yee	–	187,481,600	187,481,600 *(Note 3)*	–	10.05%
D & M International Limited	145,700,000	–	145,700,000 *(Note 4)*	–	7.81%
Mr. Leung Yu Ming, Steven	–	145,700,000	145,700,000 *(Note 4)*	–	7.81%

SUBSTANTIAL SHAREHOLDERS (continued)

Note 1: The entire issued share capital of Best Eagle International Limited is beneficially owned by Dr. Wong Shu Wing. Therefore, both Best Eagle International Limited and Dr. Wong Shu Wing are deemed to have the duplicate interests in the share capital of the Company under the SFO.

Note 2: State Street Bank and Trust Company Boston holds the shares on behalf of Dubai Investment Group Limited.

Note 3: The entire issued share capital of Fu Guang Holdings Limited is beneficially owned by Mr. Lee Yin Yee. Therefore both Fu Guang Holdings Limited and Mr. Lee Yin Yee are deemed to have the duplicate interests in the share capital of the Company under the SFO.

Note 4: The entire issued share capital of D & M International Limited is beneficially owned by Mr. Leung Yu Ming, Steven. Therefore, both D & M International Limited and Mr. Leung Yu Ming, Steven are deemed to have the duplicate interests in the share capital of the Company under the SFO.

Note 5: On 19 March 2009, Ms. Chan Wing Yee, Belinda ("Ms. Chan") filed a "FORM 1 – lndividual Substantial Shareholder Notice" claiming that 2,532,000 shares of the Company (i.e. approximately 0.14% of the then issued shares of the Company) were beneficially owned by her, 8,880,800 shares of the Company (i.e. approximately 0.48% of the then issued shares of the Company) were beneficially owned by her and Mr. Fan Wing Cheong ("Mr. Fan") jointly and 608,400,000 shares of the Company (i.e. approximately 32.63% of the then issued shares of the Company) were beneficially owned by them through Premium Class lnvestments Limited ("Premium Class"), a company jointly owned by Ms. Chan and Mr. Fan. As a result, Ms. Chan has claimed that a total of 619,812,800 shares of the Company (i.e. approximately 33.24% of the then issued shares of the Company) are beneficially owned by her.

On the same date, Mr. Fan filed a "FORM 1 – lndividual Substantial Shareholder Notice" claiming that 37,377,617 shares of the Company (i.e. approximately 2.00% of the then issued shares of the Company) were beneficially owned by him, 8,880,800 shares of the Company (i.e. approximately 0.48% of the then issued shares of the Company) were beneficially owned by him and Ms. Chan jointly and 608,400,000 shares of the Company (i.e. approximately 32.63% of the then issued shares of the Company) were beneficially owned by them through Premium Class. As a result, Mr. Fan has claimed that a total of 654,658,417 shares of the Company (i.e. approximately 35.11% of the then issued shares of the Company) are beneficially owned by her.

On the same date, Premium Class filed a "FORM 1 – lndividual Substantial Shareholder Notice" claiming that 608,400,000 shares of the Company (i.e. approximately 32.63% of the then issued shares of the Company) were beneficially owned by them.

The Provisional Liquidators were unable to substantiate the correctness of any of the above claims.

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed herein, as at 31 December 2008, to the best knowledge of the Provisional Liquidators, no other person was recorded in the Company's register maintained by the Company pursuant to Section 336 of the SFO as having an interest in the issued share capital of the Company representing 5% or more of the issued capital. Save as disclosed herein, the Provisional Liquidators are not aware of any person other than the persons (including his personal, family and corporate interests) as aforementioned, who had, directly or indirectly, an interest in the issued capital (including short positions) representing 5% or more of the issued capital as at 31 December 2008.

MAJOR CUSTOMERS AND SUPPLIERS

To the best knowledge of the Provisional Liquidators, and due to the loss of financial records, information in relation to the largest customers and suppliers of the Group during the year ended 31 December 2008 cannot be provided.

RETIREMENT BENEFITS SCHEMES

To the best knowledge of the Provisional Liquidators, the Group made mandatory contributions to Mandatory Provident Fund Scheme for its staff in Hong Kong and retirement plans for those staff in other jurisdictions.

PRE-EMPTIVE RIGHTS

To the best knowledge of the Provisional Liquidators, there is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Provisional Liquidators, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Provisional Liquidators were appointed to the Company on 24 December 2008. Consequently, the Provisional Liquidators are unable to comment as to whether the Company complied with the required standard set out in the model code in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by the Directors throughout the financial year ended 31 December 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

As detailed in note 2 to the audited consolidated financial statements, most of the books and records of the Group had been lost prior to the appointment of the Provisional Liquidators. In addition, all of the directors of the Company who hold offices prior to the appointment of the Provisional Liquidators had resign their directorship.

In this connection, the Provisional Liquidators are unable to comment as to whether the Company has complied with the code provision set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's audited consolidated financial statements of the Group for the year ended 31 December 2008. However, due to the fact that most of the books and records of the Group for the year ended 31 December 2008 had been lost and all of the Directors, except for Dr. Wong, who subsequently 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 of the Company 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 (the chairman of the audit committee of the Company).

AUDITOR

The consolidated financial statements for the year ended 31 December 2007 have been audited by Deloitte Touche Tohmatsu who resigned their office as auditor of the Company on 25 June 2009.

At the extraordinary general meeting of the Company held on 27 July 2009, the members of the Company resolved to appoint ANDA CPA Limited as auditor of the Company.

The consolidated financial statements for the year ended 31 December 2008 have been audited by ANDA CPA Limited.

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

ANDA
CPA Limited
安達會計師事務所有限公司

TO THE SHAREHOLDERS OF
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)

We were engaged to audit the consolidated financial statements of Sunlink International Holdings Limited (Provisional Liquidators Appointed) (the "Company") set out on pages 33 to 86, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Provisional Liquidators of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the basis for disclaimer of opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

The consolidated financial statements of the Company for the year ended 31 December 2007 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. Transactions, income and expense items for the year

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the transactions of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2008. There are no other satisfactory audit procedures that we could adopt to satisfy ourselves that the income and expense items are properly accounted for in the consolidated income statement for the year ended 31 December 2008 and that these items are properly disclosed in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION (continued)

3. Loss on deconsolidation of the subsidiaries and impairment on investment costs and amounts due from deconsolidated subsidiaries

As explained in note 2 to the consolidated financial statements, certain subsidiaries of the Company were deconsolidated from the Group since 1 July 2008. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the subsidiaries since 1 July 2008. In addition, no sufficient evidence has been provided to satisfy ourselves as to the net assets amount of the subsidiaries deconsolidated. As a result, we are unable to satisfy ourselves as to the loss on deconsolidation of the subsidiaries and the impairment on investment costs and amounts due from deconsolidated subsidiaries of approximately HK$425,876,000 for the year ended 31 December 2008 as disclosed in note 10 to the consolidated financial statements.

4. Other losses

Included in other losses of approximately HK$206,495,000 in the consolidated income statement were an impairment on trade receivables of approximately HK$40,000 and an impairment on prepayments, deposits and other receivables of approximately HK$3,445,000. No sufficient evidence has been received by us up to the date of this report in respect of whether these impairments were properly accounted for in the consolidated financial statements for the year ended 31 December 2008.

5. Accruals and other payables

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the accruals and other payables totaling approximately HK$3,067,000 as at 31 December 2008 as included in the accruals and other payables of approximately HK$3,567,000 in the consolidated balance sheet.

6. Current tax liabilities

No sufficient evidence has been received by us up to the date of this report in respect of the current tax liabilities totaling approximately HK$1,528,000 as at 31 December 2008 as included in the current tax liabilities of approximately HK$1,588,000 in the consolidated balance sheet.

BASIS FOR DISCLAIMER OF OPINION (continued)

7. Commitments and contingent liabilities

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2008.

8. Related party transactions and balances

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions and balances for the year ended 31 December 2008 as required by Hong Kong Accounting Standard 24 "Related Party Disclosures".

9. Other disclosures in the consolidated financial statements

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures in relation to the additions and disposals of the property, plant and equipment as disclosed in notes 9 and 18 to the consolidated financial statements and the unrecognised share of losses of the associate for the year ended 31 December 2008 and accumulated unrecognised share of losses of the associate as at 31 December 2008 as disclosed in note 19 to the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 9 above might have a significant consequential effect on the Group's results for the two years ended 31 December 2007 and 2008, the Group's cash flows for the two years ended 31 December 2007 and 2008 and the financial positions of the Group as at 31 December 2007 and 2008, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") was submitted to The Stock Exchange of Hong Kong Limited on 14 January 2010.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Resumption Proposal will be successfully completed and that, following the Resumption Proposal, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the Resumption Proposal. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the Resumption Proposal, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong
31 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Turnover	7 & 9	**857,810**	1,314,867
Cost of sales		**(708,599)**	(1,117,186)
Gross profit		**149,211**	197,681
Other income	8	**536**	2,980
Selling expenses		**(7,729)**	(17,727)
Administrative expenses		**(22,648)**	(49,603)
Loss on deconsolidation of the subsidiaries and impairment on investment costs and amounts due from deconsolidated subsidiaries	10	**(425,876)**	–
Other losses	11	**(206,495)**	–
(Loss)/profit from operations		**(513,001)**	133,331
Finance cost	12	**(3,818)**	(8,491)
Share of results of an associate		**–**	(5)
(Loss)/profit before tax		**(516,819)**	124,835
Income tax expense	13	**(18,032)**	(24,205)
(Loss)/profit for the year	14	**(534,851)**	100,630
Attributable to:			
Equity holders of the Company		**(534,898)**	100,510
Minority interests		**47**	120
		(534,851)	100,630
(Loss)/earnings per share	17		
Basic (HK cents per share)		**(28.68)**	5.81
Diluted (HK cents per share)		**(28.68)**	5.78

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	18	–	9,854
Club debenture		–	636
Investment in an associate	19	–	–
Deposits	21	–	4,653
		–	15,143
Current assets			
Investment held for trading	20	–	55
Inventories	22	–	62,750
Prepayments, deposits and other receivables	21	–	30,976
Trade receivables	23	–	356,938
Due from an associate	19	–	1,526
Tax recoverable		–	259
Pledged bank deposits	24	–	2,000
Bank and cash balances	24	**724**	98,828
		724	553,332
Current liabilities			
Bank borrowings	25	–	187,164
Trade and bills payables	26	–	33,446
Accruals and other payables		**3,567**	21,048
Due to deconsolidated subsidiaries	27	**26,617**	–
Current tax liabilities		**1,588**	20,821
Financial guarantee liabilities	25	**203,010**	–
		234,782	262,479
Net current (liabilities)/assets		**(234,058)**	290,853
Total assets less current (liabilities)/assets		**(234,058)**	305,996
Non-current liabilities			
Deferred taxation	28	–	179
		–	179
NET (LIABILITIES)/ASSETS		**(234,058)**	305,817

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Capital and reserves			
Share capital	29	**186,478**	186,468
Reserves	30	**(420,536)**	118,246
Equity attributable to equity holders of the Company		**(234,058)**	304,714
Minority interests		**–**	1,103
TOTAL EQUITY		**(234,058)**	305,817

Approved by:

Stephen Liu Yiu Keung
(Provisional Liquidator)

Approved by:

David Yen Ching Wai
(Provisional Liquidator)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Share option reserve	Investment revaluation reserve	Foreign currency translation reserve	Retained profits/ (accu-mulated losses)	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	47,300	53,529	(64,907)	1,782	366	294	80,940	119,304	838	120,142
Translation difference	–	–	–	–	–	377	–	377	–	377
Net income recognised directly in equity	–	–	–	–	–	377	–	377	–	377
Release of amount previously included in investment revaluation reserve and retained profits upon disposal of an available-for-sale investment	–	–	–	–	(366)	–	82	(284)	(3)	(287)
Profit for the year	–	–	–	–	–	–	100,510	100,510	120	100,630
Total recognised income and expense for the year	–	–	–	–	(366)	377	100,592	100,603	117	100,720
Shares issued on open offer (note 29(a)(ii))	10,240	8,192	–	–	–	–	–	18,432	–	18,432
Bonus shares issued on open offer (note 29 (a)(ii))	81,920	(62,147)	–	–	–	–	(19,773)	–	–	–
Shares issued on subscription and placing (note 29 (b)&(c))	43,008	12,042	–	–	–	–	–	55,050	–	55,050
Expenses relating to issues of new shares	–	(3,796)	–	–	–	–	–	(3,796)	–	(3,796)
Recognition of equity-settled share based payment	–	–	–	10,500	–	–	–	10,500	–	10,500
Shares issued upon exercise of share options	4,000	2,403	–	(1,782)	–	–	–	4,621	–	4,621
Partial disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	148	148
At 31 December 2007	186,468	10,223	(64,907)	10,500	–	671	161,759	304,714	1,103	305,817
At 1 January 2008	186,468	10,223	(64,907)	10,500	–	671	161,759	304,714	1,103	305,817
Translation difference	–	–	–	–	–	124	–	124	–	124
Net income recognised directly in equity	–	–	–	–	–	124	–	124	–	124
Loss for the year	–	–	–	–	–	–	(534,898)	(534,898)	47	(534,851)
Total recognised income and expense for the year	–	–	–	–	–	124	(534,898)	(534,774)	47	(534,727)
Shares issued by a subsidiary	–	–	–	–	–	–	–	–	148	148
Deconsolidation of subsidiaries	–	–	–	–	–	(633)	–	(633)	(1,298)	(1,931)
Recognition of equity-settled share based payment	–	5,112	–	(8,546)	–	–	–	(3,434)	–	(3,434)
Shares issued upon exercise of share options (note 29(d))	10	74	–	(15)	–	–	–	69	–	69
At 31 December 2008	186,478	15,409	(64,907)	1,939	–	162	(373,139)	(234,058)	–	(234,058)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax		**(516,819)**	124,835
Adjustments for:			
Depreciation	14	**1,680**	1,785
Share of results of an associate		**–**	5
(Reversal of) equity-settled share-based payments	14	**(3,434)**	10,500
Gain on disposal of property, plant and equipment	14	**(33)**	–
Loss on deconsolidation of subsidiaries	10	**272,032**	–
Impairment on investment costs in the deconsolidated subsidiaries	10	**14,025**	–
Impairment on amounts due from the deconsolidated subsidiaries	10	**139,819**	–
Loss on financial guarantee liabilities	11	**203,010**	–
(Reversal of allowance)/allowance for doubtful debts	14	**(58)**	341
Allowance for slow moving inventories	14	**–**	468
Impairment on prepayments, deposits and other receivables	14	**3,445**	–
Interest income	8	**(29)**	(570)
Fair value gain on investment held for trading	8	**–**	(17)
Gain on disposal of available-for-sale financial assets	8	**–**	(422)
Finance cost	12	**3,818**	8,491
Operating cash flows before working capital changes		**117,456**	145,416
Change in inventories		**(36,730)**	(28,259)
Change in prepayments, deposits and other receivables		**(39,303)**	(12,399)
Change in trade receivables		**(104,102)**	(169,815)
Change in due from an associate		**(2,274)**	(1,526)
Change in trade and bills payables		**24,477**	700
Change in accruals and other payables		**17,108**	4,088
Cash used in operations		**(23,368)**	(61,795)
Tax paid		**–**	(7,883)
Net cash used in operating activities		**(23,368)**	(69,678)

	Notes	**2008** **HK$'000**	2007 HK$'000
Cash flows from investing activities			
Interest received		**29**	570
Decrease in pledged bank deposits		**2,000**	37,656
Proceeds on disposal of an available-for-sale financial asset		–	2,373
Proceeds on partial disposal of interest in a subsidiary		–	148
Proceeds on disposal of property, plant and equipment		**57**	–
Purchase of property, plant and equipment	18&32	**(15,837)**	(7,827)
Purchase of club debenture		**(238)**	(636)
Prepayment for acquisition for property, plant and equipment		**(1,000)**	(4,653)
Interest in an associate		–	(5)
Deconsolidation of subsidiaries	10	**(67,397)**	–
Net cash (used in)/generated from investing activities		**(82,386)**	27,626
Cash flows from financing activities			
Proceeds from issuance of shares on open offer	29(a)(ii)	–	18,432
Interest paid		**(3,818)**	(8,491)
Repayments of bank loans		**(14,204)**	(49,648)
New bank loans raised		**17,319**	56,422
Increase in trust receipt loans		**13,444**	42,737
Decrease in bank borrowings from discounted bills receivables with full recourse		**(4,662)**	(3,304)
Due to deconsolidated subsidiaries		**(800)**	–
Expenses paid relating to issue of new shares		–	(3,796)
Proceeds from issue of shares upon exercise of share options	29(d)	**69**	4,621
Proceeds from subscription and placing agreement	29(b)&(c)	–	55,050
Proceeds from issue of shares by a subsidiary		**148**	–
Net cash generated from financing activities		**7,496**	112,023
Net (decrease)/increase in cash and cash equivalents		**(98,258)**	69,971
Effect of foreign exchange rate changes		**154**	156
Cash and cash equivalents at beginning of year		**98,828**	28,701
Cash and cash equivalents at end of year		**724**	98,828
Analysis of cash and cash equivalents			
Bank and cash balances		**724**	98,828

1. General information

Sunlink International Holdings Limited (Provisional Liquidators Appointed) (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. The principal office is 62/F., One Island East, 18 Westlands Road, Island East, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 2 December 2008.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company and through its subsidiaries, it was principally engaged in three businesses, namely of (i) semiconductors and related business; (ii) auto devices and parts business; and (iii) wireless device and solutions business..

2. Basis of preparation

Winding-up petition and appointment of the provisional liquidators

On 1 December 2008, Gold Star International Holdings Limited (the "Petitioner"), presented a winding up petition against the Company in respect of a claim of approximately HK$8.6 million (the "Petition"). The Petitioner also filed an application for the appointment of provisional liquidators of the Company to the High Court of Hong Kong Special Administrative Region (the "High Court") on 10 December 2008.

On 11 December 2008, Hang Seng Bank Limited (the "Supporting Creditor") filed a notice of intention to appear and support the Petition. The Supporting Creditor also filed an application on 16 December 2008 to appoint provisional liquidators of the Company to preserve its assets for the benefits of all creditors of the Company.

Pursuant to an order made by the High Court on 24 December 2008 (the "Order"), Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, both of Ernst & Young Transactions Limited, were appointed as joint and several provisional liquidators of the Company (the "Provisional Liquidators") to take control of the Company and possession of its assets. After few adjournments, the Petition was ordered by the High Court to be adjourned to 17 May 2010 to allow more time for the implementation of the proposed restructuring of the Company.

Suspension of trading in the shares of the Company

Trading in the shares of the Company was suspended on the Main Board of the Stock Exchange at the request of the Company on 2 December 2008. 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 Company and its subsidiaries (the "Group") and because of its inability to continue its business thereby causing the cessation of the Group's operation, the Company had been placed in the first stage of the delisting procedure on 2 December 2008, pursuant to Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (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.

2. Basis of preparation (continued)

Suspension of trading in the shares of the Company (continued)

On 30 July 2009, the Stock Exchange issued a letter to the Company (the "Second Decision Letter") in relation to placing the Company in 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

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

On 11 May 2009, an exclusivity agreement (the "Exclusivity Agreement") was entered into amongst Brilliant Capital International Limited (the "Investor"), Mr. Paul Suen ("Mr. Suen"), the Company and the Provisional Liquidators to grant the Investor an exclusivity to prepare a resumption proposal to be submitted 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, two wholly-owned subsidiaries were set up by the Company. One of them is to function as an immediate holding company and the other one is to act as an operating subsidiary (the "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 agreed to provide a 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 issued 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.

2. Basis of preparation (continued)

Proposed restructuring of the Group (continued)

On 9 December 2009, the Operating Subsidiary and Telecycle, LLC., a US incorporated limited liability company ("Telecycle") entered into the memorandum of understanding, pursuant to which both parties agreed to set up a joint venture owned as to 70% by the Operating Subsidiary and 30% by Telecycle. The joint venture is tentatively expected to be established in November 2010.

The joint venture 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 Electronic Company Limited*) and 佛山聯創華聯電子有限公司 (Foshan Lianchuang Hualian Electronic Company Limited*) (the "Target Company") entered into a capital increase agreement, pursuant to which the Operating Subsidiary conditionally agreed to subscribe for an 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 electronic turnkey device solutions 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 functions ("R&D") and there are five assembly lines in its plants located in Foshan, the People's Republic of China ("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, Ferroli, Midea, Changhong etc..

On 14 January 2010, the Financial Adviser submitted a resumption proposal ("Resumption Proposal") to the Stock Exchange on behalf of the Company. The Resumption Proposal has set out a restructuring proposal ("Proposed Restructuring"), 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 and together with the Investor's strong support in the business and financial aspects, the Group will be able to improve its business operations continuously as described above.

2. Basis of preparation (continued)

Loss of books and records of the Group

The Provisional Liquidators have used their best endeavors to locate all the financial and business records of the Group. However, most of the books and records of the Group for the year ended 31 December 2008 had been lost and all of the executive directors, except for Dr. Wong Shu Wing ("Dr. Wong"), who subsequently resigned on 1 March 2010 and the accounting personnel of the Group had left prior to the appointment of the Provisional Liquidators and the appointment of the existing independent non-executive directors. The Provisional Liquidators have been unable to get the cooperation from the former accounting personnel. Some former staff of the Group also verbally advised that the relevant books and records of the Group had been shipped to a PRC warehouse which was subsequent on fire prior to the appointment of the Provisional Liquidators. Thus, the Provisional Liquidators are unable to verify the validity of this information. The books and records recovered from the office of the Company and its subsidiaries were minimal. The Provisional Liquidators, therefore, are unable to obtain sufficient information to satisfy themselves regarding the treatment of various transactions and balances of the Group for the year ended 31 December 2008. In this respect, the Company will look into the matters related to the loss of books and records.

The consolidated financial statements have been prepared based on the available books and records maintained by the Group. However, in view of the lack of evidence described above, the Provisional Liquidators are unable to ascertain that the opening balances and corresponding figures of the Group for the year ended 31 December 2008 have been properly reflected by the books and records and in the consolidated financial statements.

Any adjustment arising from the matters described above might have a significant consequential effect on the Group's results and financial position for the year ended 31 December 2008 and the related disclosures thereof in the consolidated financial statements.

Also, as a result of the matters described above, the corresponding figures shown in the consolidated financial statements may not be comparable with the figures for the current year.

Deconsolidation of subsidiaries

As disclosed in the 2008 interim report of the Company, the interim financial results for the six months ended 30 June 2008 which were prepared in accordance with HKAS 34 "Interim Financial Reporting" had been reviewed by the Company's then independent auditors in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

2. Basis of preparation (continued)

Deconsolidation of subsidiaries (continued)

On 5 March 2009, 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 of the following subsidiaries of the Company (collectively as the "CVL Subsidiaries") pursuant to the special resolutions passed at the respective extraordinary general meetings on the basis of each of the CVL Subsidiaries was unable to continue its business by reason of its liabilities.

Tech-Link T&E Limited (In Liquidation)
Sunlink mSolutions Limited (In Liquidation)
Kingful Investment Limited (In Liquidation)
Apson Electronic Products Limited (In Liquidation)
Sunlink Hi-Tech Limited (In Liquidation)
Sunwave Computers Limited (In Liquidation)
Sunwave Development Limited (In Liquidation)
Sun Horse Technologies (H.K.) Limited (In Liquidation)
Sunlink Apson Multi-media Limited (In Liquidation)

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 of Hoover Technologies in place of the then joint and several provisional liquidators of Hoover Technologies. It was further resolved that an application to be submitted to the High 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 and the relevant order was granted by the High Court on 19 March 2010.

At the board meeting held on 26 February 2010 (the "Board Meeting") to approve, inter alia, the annual results for the year ended 31 December 2008 and the interim results for the six months ended 30 June 2009, Dr. Wong disagreed with the board on the accounting treatment on certain assets of the CVL Subsidiaries meant to be deconsolidated in the draft financial statements for the year ended 31 December 2008 and interim accounts of the Company for the six months ended 30 June 2009 ("Draft Accounts") still existed and would be recoverable. The independent non-executive directors and the representatives of the Provisional Liquidators requested Dr. Wong to provide substantiation. Dr. Wong agreed to see if ex-staff involved can be contacted and to ascertain whether the books and records could be retrieved. Dr. Wong agreed to revert to the Provisional Liquidators on the same day regarding the time required to locate the relevant books and records. Accordingly, the Board Meeting was further adjourned to 25 March 2010, and such delay was announced by the Company on 26 February 2010.

On 26 February 2010, Dr. Wong via his solicitors indicated verbally to the Provisional Liquidators' representative that he could not find the ex-staff to cooperate in ascertaining the whereabouts of the books and records nor was he able to find the relevant persons previously involved and Dr. Wong resigned as an executive director of the Company.

2. Basis of preparation (continued)

Deconsolidation of subsidiaries (continued)

On 1 March 2010, the solicitors of the Company wrote to request Dr. Wong to provide the Company with all relevant books and records in his possession, power and/or custody, by 19 March 2010 (the "Written Request"), so that the Draft Accounts can be finalized and issued without further delay.

On 5 March 2010, Dr. Wong tendered his resignation letter ("Resignation Letter") to the Company to resign as an executive Director with effect from 1 March 2010.

In the Resignation Letter, Dr. Wong confirms that, save for the disagreement with the Draft Accounts, there are no matters that need to be brought to the attention of the shareholders and the creditors of the Company or the Stock Exchange in connection with his resignation.

The existing Directors believe that the disagreement between Dr. Wong and the existing Directors relate to the accounting treatment (the "Accounting Treatment") concerning the CVL Subsidiaries as disclosed in the announcement of the Company dated 19 March 2009.

On 12 March 2010, the Provisional Liquidators received a written response from Dr. Wong's solicitors confirming that Dr. Wong does not have any relevant books and records in relation to the Group in his possession, power and/or custody.

Since the appointment in December 2008, the Provisional Liquidators have used their best endeavors to locate the books and records of the Group. All of the Directors of the Company, except for Dr. Wong, and the accounting personnel of the Group had left prior to the appointment of the Provisional Liquidators, while the existing independent non-executive Directors were appointed in October 2009. The investigations by the Provisional Liquidators reveal that most of the books and records of the Group for the year ended 31 December 2008 have been lost. In the statement of affairs prepared by Dr. Wong, as at 24 December 2008, being the date of the appointment of the Provisional Liquidators, there has not mentioned the existence of assets pertaining to the CVL Subsidiaries, save for certain bank balances.

In view of the above, the Provisional Liquidators considered that it is appropriate to deem that the control over the CVL Subsidiaries, Hoover Technologies and Jun Tai Yang Technologies (Shenzhen) Limited, a subsidiary of Sun Horse Technologies (H.K.) Limited (In Liquidation), had been lost since 1 July 2008. The results, assets and liabilities and cashflows of these subsidiaries were therefore deconsolidated from the consolidated financial statements of the Group since 1 July 2008. The Accounting Treatment resulted in the recognition of losses on deconsolidation of the CVL Subsidiaries, Hoover Technologies and Jun Tai Yang Technologies (Shenzhen) Limited, as well as impairment of investment costs and amounts due from the CVL Subsidiaries, Hoover Technologies and Jun Tai Yang Technologies (Shenzhen) Limited.

2. Basis of preparation (continued)

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately HK$534,898,000 for the year ended 31 December 2008 (2007: profit of approximately HK$100,510,000) and as at 31 December 2008 the Group had net current liabilities of approximately HK$234,058,000 (2007: net current assets of approximately HK$290,853,000) and net liabilities of approximately HK$234,058,000 (2007: net assets of approximately HK$305,817,000). 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.

Upon the appointment of the Provisional Liquidators, the powers of the Directors were suspended with regard to the affairs and business of the Company. As such, the Provisional Liquidators do not have the same knowledge of the financial affairs of the Group as the Directors of the Company would have, particularly in relation to the transactions entered into by the Group prior to the appointment date. The board of Directors of the Company has also authorized the Provisional Liquidators to approve, publish and do all such acts in connection with the publication of this annual report and the relevant announcement.

Based on the books and records made available to them, the Provisional Liquidators are responsible for the accuracy of the contents of this report and the audited consolidated financial statements for the year ended 31 December 2008 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of these audited consolidated financial statements for the year ended 31 December 2008.

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

The consolidated financial statements have been prepared on a going concern basis on the basis that the Proposed Restructuring 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.

In the event that the Group is unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. Adoption of new and revised Hong Kong financial reporting standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior years.

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.

4. Significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

4. Significant accounting policies (continued)

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group 's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. Significant accounting policies (continued)

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. Significant accounting policies (continued)

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%-25% or over the terms of lease, whichever is shorter
Plant and machinery	20%-25%
Office equipment	20%-25%
Furniture and fixtures	20%-25%
Computer equipment	30%-50%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4. Significant accounting policies (continued)

Club debenture

On initial recognition, club debenture is stated at cost. After initial recognition, club debenture with indefinite useful life is carried at cost less any subsequent accumulated impairment losses.

Club debenture is tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

4. Significant accounting policies (continued)

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant accounting policies (continued)

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Employee benefits

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

4. Significant accounting policies (continued)

Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A party is related to the Group if:

a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

b) the party is an associate;

4. Significant accounting policies (continued)

Related parties (continued)

c) the party is a joint venture;

d) the party is a member of the key management personnel of the Company or its parent;

e) the party is a close member of the family of any individual referred to in (a) or (d);

f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

4. Significant accounting policies (continued)

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories, receivables and investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Critical judgements and key estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group being able to achieve a successful restructuring and continue its business. Details are explained in note 2 to the consolidated financial statements.

b) Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. However, the Provisional Liquidators considered that the control over certain subsidiaries has been lost since 1 July 2008. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since then. Details are explained in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

a) Share-based payment expenses

The fair value of the share options granted to the Directors and employees determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Binominal model (the "Binominal Model") was used. The Binominal Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Binominal Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

b) Financial guarantee liabilities

The determination of the financial guarantee liabilities involves management's estimation. The Group assesses the probability and magnitude of the outflow of resources embodying economic benefits will be required to settle the obligations and if the expectation differs from the original estimate, such a difference may impact the carrying amount of the financial guarantee liabilities as at 31 December 2008.

6. Financial risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities or United States dollars for Hong Kong dollar functional currency Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2008 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables and cash and bank balances. In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk.

c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

d) Interest rate risk

At 31 December 2008, the Group did not have significant interest rate risk.

e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

7. Turnover

The Group's turnover is as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of goods	**857,810**	1,314,867

8. Other income

	2008	2007
	HK$'000	*HK$'000*
Gain on disposal of available-for-sale financial assets	**–**	422
Net foreign exchange gains	**107**	–
Technical service income	**163**	–
Rental income	**28**	–
Interest income	**29**	570
Fair value gain on investment held for trading	**–**	17
Sample income	**–**	267
Sundry income	**209**	1,704
	536	2,980

9. Segment information

Primary reporting format – business segments

The Group is principally engaged in three businesses, namely, i) semiconductors and related business; ii) auto devices and parts business; and iii) wireless devices and solutions business. An analysis of the Group's financial performance and position by business segments is as follows:

	Semiconductors and related business		**Auto devices and parts business**		**Wireless devices and solutions business**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 31 December 2008 and 2007								
Turnover	**330,011**	672,560	**358,385**	381,560	**169,414**	260,747	**857,810**	1,314,867
Segment results	**16,393**	18,915	**81,434**	86,327	**24,150**	27,080	**121,977**	132,322
Unallocated corporate other income							**164**	1,009
Unallocated corporate expenses							**(2,771)**	–
Loss on deconsolidation of the subsidiaries and impairment on investment costs and amount due from deconsolidated subsidiaries							**(425,876)**	–
Other losses							**(206,495)**	–
(Loss)/profit from operations							**(513,001)**	133,331
Finance cost							**(3,818)**	(8,491)
Share of results of an associate							**–**	(5)
(Loss)/profit before tax							**(516,819)**	124,835

9. Segment information (continued)

Primary reporting format – business segments (continued)

	Semiconductor and related business		Auto devices and parts business		Wireless devices and solutions business		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 31 December 2008 and 2007								
Segment assets	–	296,403	–	93,176	**715**	75,592	**715**	465,171
Due from an associate	–	–	–	1,526	–	–	–	1,526
Unallocated corporate assets							**9**	101,778
Total assets							**724**	568,475
Segment liabilities	–	22,910	–	9,294	**265**	22,290	**265**	54,494
Unallocated corporate liabilities							**234,517**	208,164
Total liabilities							**234,782**	262,658
Other segment information:								
Capital expenditure	**5,075**	1,941	**8,542**	3,267	**6,847**	2,619	**20,464**	7,827
Depreciation	**1,312**	1,394	–	–	**368**	391	**1,680**	1,785
(Reversal of allowance)/ allowance for doubtful debts	**(58)**	356	–	–	–	(15)	**(58)**	341
Allowance for slow moving inventories	–	468	–	–	–	–	–	468

Secondary reporting format – geographical segments

The Group's operations are principally located in Hong Kong and the PRC. An analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods/services is as follows:

	Turnover		Segmented assets		Capital expenditure	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**704,523**	1,079,906	**715**	401,311	**5,075**	1,941
The PRC	**98,269**	150,629	**–**	52,123	**15,389**	5,886
Others	**55,018**	84,332	**–**	11,737	**–**	–
	857,810	1,314,867	**715**	465,171	**20,464**	7,827

10. Loss on deconsolidation of the subsidiaries and impairment on investment costs and amounts due from deconsolidated subsidiaries

	2008	2007
	HK$'000	*HK$'000*
Loss on deconsolidation of subsidiaries *(note)*	**272,032**	–
Impairment on investment costs in the deconsolidated subsidiaries	**14,025**	–
Impairment on amounts due from the deconsolidated subsidiaries	**139,819**	–
	425,876	–

Note:

Loss on deconsolidation of subsidiaries

As disclosed in note 2 to the consolidated financial statements, the Provisional Liquidators considered that the control over certain subsidiaries had been lost since 1 July 2008. The results, assets and liabilities and cash flows of these subsidiaries were therefore deconsolidated from the consolidated financial statements of the Group since then.

Net assets of these subsidiaries as at 1 July 2008 were as follows:

	HK$'000
Property, plant and equipment	28,614
Club debenture	874
Prepayments, deposits and other receivables (non-current)	1,000
Investment held for trading	55
Inventories	99,480
Prepayments, deposits and other receivables (current)	66,834
Trade receivables	461,098
Due from an associate	3,800
Tax recoverable	30
Bank and cash balances	67,397
Bank loans	(199,065)
Trade and bills payables	(57,923)
Accruals and other payables	(34,589)
Current tax liabilities	(35,597)
Deferred taxation	(1,618)
Net amount due to the Group	(112,402)
Net assets deconsolidated	287,988
Release of foreign currency translation reserve	(633)
Minority interests	(1,298)
Investment costs	(14,025)
Loss on deconsolidation of subsidiaries	272,032
Net cash outflow arising from deconsolidation of subsidiaries:	
Cash and cash equivalents of subsidiaries deconsolidated	(67,397)

11. Other losses

	2008	2007
	HK$'000	*HK$'000*
Loss on financial guarantee liabilities	**203,010**	–
Allowance for doubtful debts	**40**	–
Impairment on prepayments, deposits and other receivables	**3,445**	–
	206,495	–

As mentioned in note 2 to the consolidated financial statements, most of the books and records of the Group could not be located. For the year ended 31 December 2008, the Group had recorded a debit and a credit of gross amounts of approximately HK$3,737,000 and HK$498,000 respectively, of which the natures and recoverabilities were unknown, on the deposits, prepayments and other receivables. As at 31 December 2008, the balance of deposits, prepayments and other receivables were approximately HK$3,445,000. Due to unknown nature and recoverability of such balance, the Group had fully impaired the amount accordingly.

In addition, as mentioned in note 2 to the consolidated financial statements, the CVL subsidiaries, Hoover Technologies and Jun Tai Yang Technologies (Shenzhen) Limited were deconsolidated from the Group since 1 July 2008. Based on the available books and records, during the period from 1 July to 31 December 2008, these companies recorded a gross cash inflow and a gross cash outflow of approximately HK$192,535,000 and HK$212,757,000 respectively, of which the natures and recoverabilities of these cash transactions were unknown.

12. Finance cost

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**3,818**	8,491

13. Income tax expense

	2008	2007
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**13,638**	24,713
Over-provision in prior years	**–**	(375)
Current tax – the PRC		
Provision for the year	**2,955**	–
Deferred tax		
Provision for the year	**1,449**	(133)
Attributable to change in tax rate	**(10)**	–
	18,032	24,205

Hong Kong Profits Tax has been provided at a rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year ended 31 December 2008.

13. Income tax expense (continued)

Tax charge on profits assessable elsewhere have 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.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%.

The reconciliation between the income tax expense and the (loss)/profit before tax is as follows:

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(516,819)**	124,835
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	**(85,275)**	21,846
Tax effect of income that is not taxable	**–**	(33)
Tax effect of expenses that are not deductible	**102,302**	2,542
Tax effect of utilisation of tax losses not previously recognised	**–**	(54)
Tax effect of tax losses not recognised	**–**	397
Tax effect of tax exemptions granted to PRC subsidiaries	**–**	(87)
Over-provision of taxation charges in prior years	**–**	(375)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,005**	–
Others	**–**	(31)
	18,032	24,205

14. (Loss)/profit for the year

The Group's (loss)/profit for the year is stated after charging the following:

	2008	2007
	HK$'000	*HK$'000*
Directors' emoluments		
As directors	**–**	170
For management	**–**	7,657
	–	7,827
Auditor's remuneration		
Current year	**400**	1,500
Under-provision in prior year	**–**	51
	400	1,551
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**3,795**	33,200
(Reversal of) equity-settled share-based payments	**(3,434)**	10,500
Retirement benefits scheme contributions	**–**	–
	361	43,700
Cost of inventories sold	**708,599**	1,117,186
Gain on disposal of property, plant and equipment	**33**	–
Depreciation	**1,680**	1,785
(Reversal of allowance)/allowance for doubtful debts	**(58)**	341
Allowance for slow moving inventories	**–**	468
Impairment on prepayments, deposits and other receivables	**3,445**	–
Operating lease charges		
Land and buildings	**–**	1,911
Office equipment	**–**	22
Research and development expenditure	**–**	155
Exchange loss	**–**	1,162

15. Directors' emoluments

No information in relation to the directors' emoluments and the five highest paid individuals for the year ended 31 December 2008 was disclosed in the financial statements because the Provisional Liquidators could not obtain sufficient information in this regard. Details are explained in note 2 to the consolidated financial statements.

The emoluments paid or payable to each of the six Directors in 2007 were as follows:

	Fee	Salaries and allowances	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Name of Directors						
Wong Shu Wing *(a)*	–	1,912	–	1,939	12	3,863
Choi Tat Kai *(Note (b))*	–	1,276	–	1,598	12	2,886
Lau Kit Hung *(Note (c))*	–	390	–	444	9	843
Liu Shun Keung *(Note (d))*	–	–	–	–	–	–
Han Yang *(Note (d))*	–	–	–	–	–	–
Yeung Ming Tai *(Note (e))*	50	–	–	–	–	50
Chang Kin Man *(Note (f))*	41	–	–	–	–	41
Sun Hanxu *(Note (g))*	–	–	–	–	–	–
Wong Lai Ying Cecilia *(Note (h))*	79	–	–	65	–	144
Chan Kwok Ming Daniel *(Note (i))*	–	–	–	–	–	–
Total for 2007	170	3,578	–	4,046	33	7,827

Notes:

(a) Resigned on 1 March 2010

(b) Resigned on 2 December 2008

(c) Resigned on 30 September 2007

(d) Appointed on 17 January 2008 and resigned on 17 December 2008

(e) Resigned on 17 December 2008

(f) Resigned on 18 April 2007

(g) Appointed on 18 April 2007 and resigned on 17 December 2008

(h) Resigned on 28 September 2007

(i) Appointed on 28 September 2007 and resigned on 17 December 2008

16. Retirement benefit schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary established in the PRC are members of a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

17. (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic loss (2007: earnings) per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK$534,898,000 (2007: profit attributable to equity holders of the Company of approximately HK$100,510,000) and the weighted average number of ordinary shares of 1,864,738,082 (2007: 1,728,588,390) in issue during the year.

Diluted (loss)/earnings per share

No diluted loss per share for the year ended 31 December 2008 is presented because the impact of the exercise of the share options was anti-dilutive.

The calculation of diluted earnings per share for the year ended 31 December 2007 attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$100,510,000 and the weighted average number of ordinary shares of 1,737,700,694, being the weighted average number of ordinary shares of 1,728,588,390 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 9,112,304 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

18. Property, plant and equipment

	Leasehold improvements	Plant and machinery	Office equipment	Furniture and fixtures	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 January 2007	2,626	–	7,370	1,741	1,105	645	13,487
Additions	1,508	5,016	400	–	546	357	7,827
Exchange differences	40	–	248	–	53	–	341
At 31 December 2007 and 1 January 2008	4,174	5,016	8,018	1,741	1,704	1,002	21,655
Additions	6,875	13,589	–	–	–	–	20,464
Disposals	–	(24)	–	–	–	–	(24)
Deconsolidation of subsidiaries	(11,049)	(18,581)	(8,018)	(1,741)	(1,704)	(1,002)	(42,095)
At 31 December 2008	–	–	–	–	–	–	–
Accumulated depreciation							
At 1 January 2007	2,086	–	4,899	1,741	786	396	9,908
Charge for the year	382	71	949	–	241	142	1,785
Exchange differences	40	–	62	–	6	–	108
At 31 December 2007 and 1 January 2008	2,508	71	5,910	1,741	1,033	538	11,801
Charge for the year	352	423	676	–	144	85	1,680
Written back on deconsolidation of subsidiaries	(2,860)	(494)	(6,586)	(1,741)	(1,177)	(623)	(13,481)
At 31 December 2008	–	–	–	–	–	–	–
Carrying amount							
At 31 December 2008	–	–	–	–	–	–	–
At 31 December 2007	1,666	4,945	2,108	–	671	464	9,854

19. Investment in an associate and due from an associate

	2008	2007
	HK$'000	*HK$'000*
Share of net assets	**–**	–

Details of the Group' associate which is held indirectly by the Company are as follows:

Name	**Place of incorporation and operation**	**Issued and paid up capital**	**Percentage of ownership interest/ voting power/ profit sharing**	**Principal activities**
Spaceinet Sunlink Limited *(Note (1))*	Hong Kong	10,000 ordinary shares of HK$1 each	45%	Trading of electronic parts and provision of technology solutions

The amount due from an associate is unsecured, interest-free and recoverable within twelve months after the balance sheet date.

Note:

1. The Group has discontinued recognition of its share of loss of the associate. The amounts of unrecognised share of the associate, extracted from the financial statements of the associate, both for the year and cumulatively, are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Unrecognised share of losses of the associate for the year	–	454
Accumulated unrecognised share of losses of the associate	454	454

No updated financial information of Spaceinet Sunlink Limited is available to the Company.

20. Investment held for trading

	2008	2007
	HK$'000	*HK$'000*
Investment held for trading		
Listed equity securities in Hong Kong, at fair value	–	55
	–	55

21. Prepayments, deposits and other receivables

	2008	2007
	HK$'000	*HK$'000*
Deposits for purchase of inventories	–	23,680
Deposits for purchase of property, plant and equipment	–	4,653
Others	–	7,296
	–	35,629
Analysed as:		
Current assets	–	30,976
Non-current assets	–	4,653
	–	35,629

22. Inventories

	2008	2007
	HK$'000	*HK$'000*
Raw materials	–	6,490
Work in progress	–	3,804
Finished goods	–	52,456
	–	62,750

23. Trade receivables

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	2008	2007
	HK$'000	*HK$'000*
30 days or less	–	111,063
31 days to 60 days	–	93,823
61 days to 90 days	–	84,328
Over 90 days	–	67,724
	–	356,938

Included in the trade receivables as at 31 December 2008 are of nil amount (2007: approximately HK$5,803,000) of trade receivables discounted to banks with recourse by providing a credit guarantee over the expected losses of those trade receivables. Accordingly, the Group continues to recognise the full carrying amount of the trade receivables and has recognised the cash received on such discount as bank borrowings (see note 25).

None (2007: 80%) of the trade receivables that are neither past due nor impaired and have either been subsequently settled or maintained active trade business relationship with the Group.

Included in the Group's trade receivables are debtors with a carrying amount of nil (2007: approximately HK$17,240,000) which are denominated in the US dollars (that is the currency other than the functional currencies of the respective Group entities).

Included in the Group's trade receivables are debtors with aggregate carrying amount of nil (2007: approximately HK$72,055,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	2008	2007
	HK$'000	*HK$'000*
31 days to 60 days	–	540
61 days to 90 days	–	3,791
Over 90 days	–	67,724
	–	72,055

24. Pledged bank deposits and bank and cash balances

As at 31 December 2007, the pledged bank deposits of approximately HK$2,000,000 had been placed in designated banks as part of the securities provided for general banking facilities granted to the Group by banks. The bank deposits were in Hong Kong dollars and carried interest at rates ranging from 2% to 3.55% per annum. Such deposits have been fully set off against the loans of approximately HK$32,340,000 due to DBS Bank (Hong Kong) Limited during the year ended 31 December 2008.

The bank and cash balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest at rates ranging from 0.01% to 0.35% (2007: 0.01% to 0.35%) per annum.

25. Bank borrowings and financial guarantee liabilities

	2008	2007
	HK$'000	*HK$'000*
Trust receipt loans	–	155,106
Other loans	–	27,396
Discounting advances drawn on trade receivables	–	4,662
	–	187,164

The borrowings are repayable as follows:

	2008	2007
On demand or within one year	–	187,164
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(187,164)
Amount due for settlement after 12 months	–	–

As disclosed in notes 2 and 10 to the consolidated financial statements, the bank loans stated above were deconsolidated from the consolidated financial statements of the Group since 1 July 2008. However, since the Company provides corporate guarantees for all the bank loans, the Company is therefore liable to the financial guarantee liabilities of approximately HK$203,010,000 as at 31 December 2008. Liabilities of the Company are expected to be discharged under the proposed schemes of arrangement of the Company.

26. Trade and bills payables

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

	2008	2007
	HK$'000	*HK$'000*
30 days or less	–	19,236
31 days to 60 days	–	9,742
Over 60 days	–	4,468
	–	33,446

27. Due to deconsolidated subsidiaries

The amounts due to deconsolidated subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

28. Deferred taxation

The following are the major deferred tax liabilities recognised by the Group and the movements during the two years ended 31 December 2008 and 2007:

	Accelerated tax depreciation
	HK$'000
At 1 January 2007	312
Credit to consolidated income statement	(133)
At 31 December 2007 and 1 January 2008	179
Charge to consolidated income statement	1,439
Deconsolidation of subsidiaries	(1,618)
At 31 December 2008	–

At the balance sheet date, the Group has unused tax losses of nil (2007: HK$7,395,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

29. Share capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

	2008	2007
	HK$'000	*HK$'000*
Authorized:		
3,000,000,000 ordinary shares of HK$0.10 each *(note(a)(i))*	**300,000**	300,000
Issued and fully paid:		
1,864,780,000 ordinary shares of HK$0.10 each (2007: 1,864,680,000 ordinary shares of HK$0.10 each)	**186,478**	186,468

29. Share capital (continued)

The following is a summary of the above movements in the issued share capital:

	Number of share issued	Share capital *HK$'000*
At 1 January 2007	473,000,000	47,300
Shares issued on open offer *(note (a)(ii))*	921,600,000	92,160
Shares issued on subscription agreement *(note (b))*	315,392,000	31,539
Shares issued on placing agreement *(note (c))*	114,688,000	11,469
Shares issued upon exercise of share options	40,000,000	4,000
At 31 December 2007 and 1 January 2008	1,864,680,000	186,468
Shares issued upon exercise of share options *(note (d))*	100,000	10
At 31 December 2008	1,864,780,000	186,478

Notes:

(a) Pursuant to the resolutions passed in the Company's extraordinary general meeting on 22 January 2007:

(i) The authorised share capital of the Company was increased from HK$100,000,000 to HK$300,000,000 by the creation of an additional 2,000,000,000 new ordinary shares of HK$0.10 each.

(ii) The open offer of new ordinary shares of HK$0.10 each in the share capital of the Company on the basis of one offer share at HK$0.18 each for every five existing shares with bonus shares to be issued on the basis of eight bonus shares for every fully paid offer share. A total number of 102,400,000 offer shares and 819,200,000 bonus shares, with an aggregate number of 921,600,000 shares were issued.

(b) On 15 February 2007, the Company entered into a subscription agreement with a subscriber in relation to the subscription of 315,392,000 subscription shares at the subscription price of HK$0.128 per share, representing 22.0% of the existing issued share capital of the Company as at 15 February 2007. Completion of the subscription agreement took place on 16 April 2007 and the Company had issued 315,392,000 shares of HK$0.128 per share for a total consideration of approximately HK$40,370,000.

(c) On 15 February 2007, the Company also entered into a placing agreement with an independent third party, Kingsway Financial Services Group Limited ("Kingsway") pursuant to which Kingsway would procure the placees to subscribe for a maximum of 114,688,000 placing shares at the placing price of HK$0.128 per share, representing in aggregate 8.0% of the existing issued share capital of the Company as at 15 February 2007. Completion of the placing agreement took place on 13 April 2007 and the Company had issued 114,688,000 shares of HK$0.128 per share for a total consideration of approximately HK$14,680,000.

29. Share capital (continued)

(d) During the year, options were exercised to subscribe for 100,000 (2007: 40,000,000) ordinary shares in the Company at a total consideration of approximately HK$69,000 (2007: approximately HK$4,621,000) of which approximately HK$10,000 (2007: approximately HK$4,000,000) was credited to share capital and the balance of approximately HK$59,000 (2007: approximately HK$621,000) was credited to the share premium account. Approximately HK$15,000 (2007: approximately HK$1,782,000) has been transferred from the share option reserve to the share premium account in accordance with the accounting policy set out in note 4.

The new shares rank pari passu in all respects with the existing shares.

30. Reserves

a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

b) Nature and purpose of reserves of the Group

(i) Share premium

Under the Companies Law of the Cayman Islands, subject to the Company's memorandum and articles of association, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Special reserve

Special reserve represents the difference between the paid up capital and share premium of the then holding companies of the subsidiaries acquired as a result of the group reorganisation which had been completed on 20 December 2002 and the costs of investments in subsidiaries of the Company.

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4 to the consolidated financial statements.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

30. Reserves (continued)

b) Nature and purpose of reserves of the Group (continued)

(v) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4 to the consolidated financial statements.

31. Share-based payments

Equity-settled share option scheme

A share option scheme (the "Scheme") was adopted at a special general meeting of the Company held on 12 February 2003 and will expire in February 2013. Under the Scheme, the board of Directors of the Company may, at their discretion, grant options to employees, including executive Directors of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the relevant option, which must be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant option.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares in respect of which options may granted under the Scheme, when aggregated with any shares subject to any other schemes shall not exceed 10% of the issued share capital of the Company immediately upon the listing of the shares on the Stock Exchange, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate in any 12-month period shall not exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

31. Share-based payments (continued)

Equity-settled share option scheme (continued)

Details of the movements of the outstanding share options granted under the Scheme during the year are summarised as follows:

Name of category	Date of grant of share options	Exercise period	Exercise price of share options *HK$*	Balance as at 1/1/2008	Exercised during the year	Lapsed during the year	Balance as at 31/12/2008
2008							
Directors	25/6/2007	25/6/2007 to 24/6/2017	0.694	26,900,000	–	(13,800,000)	13,100,000
	13/8/2007	13/8/2007 to 12/8/2017	0.520	200,000	–	(200,000)	–
Employees	25/6/2007	25/6/2007 to 24/6/2017	0.694	20,400,000	(100,000)	(20,300,000)	–
	13/8/2007	*Notes (b) and (c)*	0.520	75,904,800	–	(75,904,800)	–
				123,404,800	(100,000)	(110,204,800)	13,100,000
Exercisable at 31 December 2008							13,100,000
Weighted average exercise price (HK$)				0.587	0.694	0.574	0.694

Name of category	Date of grant of share options	Exercise period	Exercise price of share options *HK$*	Balance as at 1/1/2007	Granted during the year	Exercised during the year	Balance as at 31/12/2007
2007							
Directors	11/10/2004	11/10/2004 to 10/10/2014	0.100	8,000,000	–	(8,000,000)	–
	11/10/2004	11/10/2004 to 10/10/2014	0.130	3,000,000	–	(3,000,000)	–
	25/6/2007	25/6/2007 to 24/6/2017	0.694	–	26,900,000	–	26,900,000
	13/8/2007	13/8/2007 to 12/8/2017	0.520	–	200,000	–	200,000
Employees	11/10/2004	11/10/2004 to 10/10/2014	0.100	5,000,000	–	(5,000,000)	–
	11/10/2004	11/10/2004 to 10/10/2014	0.130	5,104,000	–	(5,104,000)	–
	2/11/2006	2/11/2006 to 1/11/2016	0.120	18,896,000	–	(18,896,000)	–
	25/6/2007	25/6/2007 to 24/6/2017	0.694	–	20,400,000	–	20,400,000
	13/8/2007	*Notes (b) and (c)*	0.520	–	75,904,800	–	75,904,800
				40,000,000	123,404,800	(40,000,000)	123,404,800
Exercisable at 31 December 2007							123,404,800
Weighted average exercise price (HK$)				0.116	0.587	0.116	0.587

31. Share-based payments (continued)

Equity-settled share option scheme (continued)

At 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 13,100,000 (2007: 123,404,800), representing 0.7% (2007: 6.6%) of the shares of the Company in issue at that date.

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.5 years (2007: 9.6 years).

The estimated fair value of the options on the date of grant was calculated using the Binominal Model. The inputs into the model were as follows:

Date of grant	Exercise price	Number of share options	Share price	Expected volatility	Expected life	Risk-free rate	Estimated expected dividend yield	Fair value per option
	HK$		*HK$*	*%*	*Years*	*%*	*%*	*HK$*
25/6/2007 *(Note (a))*	0.694	47,300,000	0.68	39.41	1	4.07	–	0.148
13/8/2007 *(Note (a))*	0.520	200,000	0.53	40.24	5	4.40	–	0.326
13/8/2007 *(Note (b))*	0.520	57,268,000	0.53	40.24	2	4.06	–	0.207
13/8/2007 *(Note (c))*	0.520	18,636,800	0.53	40.24	1	3.99	–	0.148

Notes:

(a) In accordance with the terms of the share-based arrangement, these options granted during the year vest at the date of their grant.

(b) In accordance with the terms of the share-based arrangement, these options will vest if certain non-market performance conditions, for example sale target, are fulfilled within 1 to 2 years from the date of grant. These options are exercisable on the vesting date.

(c) In accordance with the terms of the share-based arrangement, these options will vest if the share price of the Company exceeds certain amount within 1 year from the date of grant. These options are exercisable on the vesting date.

Expected volatility was determined by using the historical volatility of similar entities following a comparable period in their lives.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.694. For the year ended 31 December 2008, the Company recognised the reversal of expense of approximately HK$3,434,000 (2007: expense of approximately HK$10,500,000) in relation to equity-settled share-based payment transactions during the year.

31. Share-based payments (continued)

Equity-settled share option scheme (continued)

The Binominal Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Consideration paid for each grant of option is HK$1. The total consideration received during the year from employees for taking up the options granted is nil (2007: HK$24).

32. Major non-cash transaction

During the year ended 31 December 2008, the additions to property, plant and equipment of approximately HK$4,627,000 (2007: nil) were transferred from the non-current prepayments, deposits and other receivables.

33. Contingent liabilities

A full search for contingent liabilities of the Group has not been conducted. However, all claims against the Company will be subject to a formal adjudication process, dealt with and compromised under the proposed schemes of arrangement of the Company.

Save as disclosed above, to the best knowledge of the Provisional Liquidators, they were not aware of any significant contingent liabilities of the Group as at the balance sheet date (2007: nil).

34. Pledge of assets

The Group had pledged the following assets to secure general banking facilities at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	–	5,803
Pledged bank deposits	–	2,000
	–	7,803

35. Lease commitments

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2008	2007
	HK$'000	*HK$'000*
Office premises		
Within one year	–	1,704
In the second to fifth year inclusive	–	212
	–	1,916
Office equipment		
Within one year	–	16
In the second to fifth year inclusive	–	15
	–	31

Operating lease payments represent rentals payable by the Group for certain of its office premises and office equipment. Leases are fixed and negotiated for terms ranging from 12 to 60 months.

36. Capital commitment

The Group's capital commitments at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Acquisition of plant and equipment contracted but not provided for	–	5,089

37. Related party transaction

The remuneration of Directors and other members of key management and the significant transactions with an associate during the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Compensation of key management personnel		
Short-term benefits	**3,753**	6,798
Post-employment benefits	**42**	93
Share-based payments	–	6,619
Sales of good to an associate	**2,274**	–

38. Events after the balance sheet date

Winding-up petition

After few adjournments, the Petition was ordered by the Court to be further adjourned to 17 May 2010.

Listing status

Trading in the shares of the Company was suspended on the Main Board of the Stock Exchange at the request of the Company on 2 December 2008. On 21 January 2009, the Listing Division of the Stock Exchange issued 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 operation, the Company was placed in the first stage of the delisting procedure on 2 December 2008, pursuant to Practice Note 17 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 30 July 2009, the Stock Exchange issued the Second Decision Letter to the Company in relation to placing the Company in 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

The Provisional Liquidators have appointed the Financial Adviser on 2 January 2009 to assist the Provisional Liquidators in identifying interested investors with a view to restructuring the Company and submitting a resumption proposal to the Stock Exchange.

On 11 May 2009, the Exclusivity Agreement was entered into amongst the Investor, Mr. Suen, the Company and the Provisional Liquidators to grant the Investor an exclusivity to prepare a resumption proposal to be submitted 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.

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.

38. Events after the balance sheet date (continued)

Proposed restructuring of the Group (continued)

On 26 June 2009, with the sanction of the High Court, two wholly-owned subsidiaries were set up by the Company. One of them is to function as an immediate holding company and the other one is to act 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 facility agreement pursuant to which the Investor agreed to provide a loan facility of up to HK$8 million to the Operating Subsidiary to enable it to meet its working capital needs. The Working Capital Facility is secured by a debenture issued 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 entered into the memorandum of understanding, pursuant to which both parties 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.

The joint venture 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, Xiamen Hualian Electronic Company Limited and the Target Company entered into a capital increase agreement, pursuant to which the Operating Subsidiary conditionally agreed to subscribe for an additional registered capital of the Target Company. Upon completion, the Operating Subsidiary will own 52.38% equity interest of the Target Company.

On 14 January 2010, the Financial Adviser submitted a Resumption Proposal to the Stock Exchange on behalf of the Company, 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.

38. Events after the balance sheet date (continued)

Winding up of certain subsidiaries

On 5 March 2009, 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 of the following CVL Subsidiaries pursuant to the special resolutions passed at the respective extraordinary general meetings on the basis of each of the CVL Subsidiaries was unable to continue its business by reason of its liabilities.

Tech-Link T&E Limited (In Liquidation)
Sunlink mSolutions Limited (In Liquidation)
Kingful Investment Limited (In Liquidation)
Apson Electronic Products Limited (In Liquidation)
Sunlink Hi-Tech Limited (In Liquidation)
Sunwave Computers Limited (In Liquidation)
Sunwave Development Limited (In Liquidation)
Sun Horse Technologies (H.K.) Limited (In Liquidation)
Sunlink Apson Multi-media 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 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.

Change of principal place of business

The principal place of business of the Company has been changed to the office of the Provisional Liquidators at 62th Floor, One Island East, 18 Westlands Road, Island East, Hong Kong.

39. Particulars of the principal subsidiaries of the Company

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Ocean King Investment Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
J-Link Group Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Rawason Development Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Sunlink Geomatics Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Sunlink Hitech (BVI) Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Sunlink International Investments Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Sunlink Wavecom Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	90.5%	Trading of electronic products
Sunlink M2M Technologies Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Sunlink M2M Solutions Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Sunlink mSolutions Holdings Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Sunlink Technologies Holdings Limited	British Virgin Islands	700 ordinary share of US$1	100%	–	Investment holding

39. Particulars of the principal subsidiaries of the Company (continued)

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Sunlink Technologies Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Suniview Limited	Hong Kong	10,000 ordinary share of HK$1 each	–	51%	Inactive
Sunlink Investments (B.V.I.) Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Sunlink Group Investment (HK) Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Inactive
駿泰陽軟件科技(深圳)有限公司*	People's Republic of China	Registered capital of HK$3M	–	100%	Provision of technology solutions

* 駿泰陽軟件科技(深圳)有限公司 is a wholly owned foreign enterprise established in the PRC.

As mentioned in note 2 to the consolidated financial statements, the control over the CVL subsidiaries, Hoover Technologies and Jun Tai Yang Technologies (Shenzhen) Limited were deemed to be lost since 1 July 2008. Therefore, the Company's subsidiaries did not include these companies as at 31 December 2008.

40. Balance sheet of the company

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	39	**–**	69,560
Current assets			
Prepayments, deposits and other receivables		**–**	22,250
Due from subsidiaries	(i)	**–**	105,241
Bank and cash balances		**1**	244
		1	127,735
Current liabilities			
Accruals and other payables		**973**	–
Due to a deconsolidated subsidiary	(i)	**671**	–
Current tax liabilities		**60**	60
Financial guarantee liabilities		**203,010**	–
		204,714	60
Net current (liabilities)/assets		**(204,713)**	127,675
NET (LIABILITIES)/ASSETS		**(204,713)**	197,235
Capital and reserves			
Share capital	29	**186,478**	186,468
Reserves	30	**(391,191)**	10,767
TOTAL EQUITY		**(204,713)**	197,235

Note:

(i) The amounts due from subsidiaries and the amount due to a deconsolidated subsidiary are unsecured, interest-free and have no fixed repayment terms.

41. Approval of financial statements

The financial statements were approved and authorised for issue by the Provisional Liquidators on 31 March 2010.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	520,418	675,391	807,690	1,314,867	**857,810**
Profit/(loss) for the year	5,827	9,600	25,336	100,630	**(534,851)**
Attributable to:					
Equity holders of the Company	5,781	9,608	25,268	100,510	**(534,898)**
Minority interests	46	(8)	68	120	**47**
	5,827	9,600	25,336	100,630	**(534,851)**

	As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	231,533	254,378	317,111	568,475	**724**
Total liabilities	(146,531)	(161,942)	(196,969)	(262,658)	**(234,782)**
	85,002	92,436	120,142	305,817	**(234,058)**
Equity attributable to equity holders of the Company	84,209	91,668	119,304	304,714	**(234,058)**
Minority interests	793	768	838	1,103	–
	85,002	92,436	120,142	305,817	**(234,058)**