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 2010

* *for identification purpose only*

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CORPORATE INFORMATION

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Mr. Liu Yiu Keung, Stephen
Mr. Yen Ching Wai, David

BOARD OF DIRECTORS

Independent Non-executive Directors
Mr. Tso Shiu Kei, Vincent
Mr. Young Meng Cheung, Andrew
Mr. Poon Ka Lee, Barry

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
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) 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"), the biographical details of the directors of the Company (the "Directors") are set out below.

EXECUTIVE DIRECTOR

Dr. Wong Shu Wing ("Dr. Wong"), aged 47, was the chairman of the Company. He resigned as an Executive Director with effect from 1 March 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tso Shiu Kei, Vincent, aged 44, 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 51, 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 director of the Hong Kong Plastics Technology Centre Limited and also a director of various private companies.

Mr. Poon Ka Lee, Barry, aged 51, 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 a partner of KY Lai & Co., CPA and a partner of K.L. Poon & Co., CPA. He is also an executive director of Telefield International (Holdings) Limited (Stock code: 1143). 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 Company and the subsidiaries (collectively, the "Group") for the year ended 31 December 2010 based on the books and records made available to them.

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

The Provisional Liquidators were appointed by an order (the "Order") of the Court of First Instance of The High Court in Hong Kong (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 of Directors (the "Board") 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 2010 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 2010 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 is set out in note 2 to the consolidated financial statements.

APPOINTMENT OF PROVISIONAL LIQUIDATORS

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

After few adjournments, the hearing of the Petition (the "Petition") was ordered by the High Court to be adjourned to 9 May 2011 to allow more time for the implementation of the proposed restructuring of the Company.

APPOINTMENT OF PROVISIONAL LIQUIDATORS (continued)

Pursuant to the Order, 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 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 Company’s financial adviser (the “Financial Adviser”) for the purposes of assisting them to identify interested investors with a view to restructuring the Company and submitting a viable resumption proposal to the Stock Exchange. On 14 June 2010, the Financial Adviser tendered its resignation to the Company. Subsequently, Partners Capital International Limited was appointed as the new financial adviser to the Company on 16 July 2010.

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 of the Company, and to negotiate in good faith and enter into a legally binding formal agreement for the implementation of the restructuring proposal in connection with the proposed restructuring of the Company.

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

On 26 June 2009, with the sanction of the High Court, the Company set up two wholly-owned subsidiaries, one of them acting as an immediate holding company and the other one acting as an operating subsidiary (the "Operating Subsidiary") to resume and continue the existing business of the Group. The Company has since resumed its sale of semiconductors and related products business through the Operating Subsidiary.

On 3 July 2009, the Investor and the Operating Subsidiary entered into a working capital facility agreement pursuant to which the Investor had agreed to provide a working capital facility ("Working Capital Facility") of up to HK$8 million to the Operating Subsidiary to enable it to meet its working capital needs. The Working Capital Facility had been secured by a floating charge of all assets of the Operating Subsidiary on 3 July 2009 in favour of the Investor.

On 30 July 2009, the Stock Exchange issued a second decision letter (the "Second Decision Letter") to the Company 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 failing to submit to the Stock Exchange any resumption proposal before 20 July 2009 and maintain an operation in compliance with Rule 13.24 of the Listing Rules. According to the Second Decision Letter, the Company was required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before 29 January 2010, being the expiry of the six-month period from the date of placing the Company in the second stage of the delisting procedures.

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

On 9 December 2009, the Operating Subsidiary and Telecycle, LLC., a US incorporated limited liability company ("Telecycle") entered into a memorandum of understanding (the "MOU"), 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. The entering into the formal agreement for setting up the joint venture pursuant to the MOU is subject to resumption of trading in shares of the Company, as the Company's shares have not resumed trading, formal agreement has not been entered into between the parties and the MOU was lapsed on 31 August 2010. However, both parties agreed that negotiations on setting up the joint venture or other business cooperation shall continue on a non-exclusive basis.

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

On 26 March 2010 and 15 June 2010, Global Winner Enterprises Limited ("Global Winner"), 廈門華聯電子有限公司 (Xiamen Hualian Electronics Company Limited) ("Xiamen Hualian") and 佛山聯創華聯電子有限公司 (Fohsan Lianchuang Hualian Electronics Company Limited) (the "Target Company") entered into a capital increase agreement ("Capital Increase Agreement") and a supplemental capital increase agreement ("Supplemental Capital Increase Agreement") respectively, pursuant to which Global Winner conditionally agreed to subscribe for additional registered capital of the Target Company. Upon completion, Global Winner will own 52.38% equity interest of the Target Company.

Pursuant to these agreements, Global Winner has conditionally agreed to subscribe for additional registered capital of the Target Company in the amount of RMB11,000,000 for a cash consideration of RMB12,000,000. The Directors of the Company or the Provisional Liquidators are authorised to do all such further acts and things and execute such further documents for and on behalf of the Company which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to the transaction contemplated by the Capital Increase Agreement and the Supplemental Capital Increase Agreement and to approve any changes and amendments thereto as the Directors of the Company or the Provisional Liquidators (as the case may be) may consider necessary, desirable or expedient.

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

On 10 September 2010, Global Winner, Xiamen Hualian and Target Company (together, the "Parties") entered into the second Supplemental Capital Increase Agreement, pursuant to which if all conditions precedent as set out in the Capital Increase Agreement cannot be fulfilled within 360 days after the date of the Capital Increase Agreement (or such other date that the Parties otherwise agree), the Capital Increase Agreement will be terminated and upon which the obligations of the Parties shall be of no further effect save for antecedent breaches. The effect is to extend the time period to fulfill all the conditions precedent in the Capital Increase Agreement to 21 March 2011.

In April 2010, the Operating Subsidiary set up a subsidiary known as Onetech Technology Company Limited ("Onetech") which is a company incorporated in Hong Kong with limited liability. In June 2010, Onetech established its wholly owned foreign enterprise in the People's Republic of China ("PRC") known as 勝沃數碼電子(深圳)有限公司 (literally translated as Sheng Wo Digital Electronics (Shenzhen) Company Limited ("Sheng Wo")) (together with Onetech, the "Onetech Group"). Currently, Onetech is legally and beneficially owned as to 76% by the Operating Subsidiary and 24% by four individual partners who are third parties independent of the Company and its connected persons. The set up of the Onetech Group is aiming to enhance the sales volume and improve the profit margin of the Operating Subsidiary's existing customised semiconductor and related products business through providing additional value added services to the Group's customers including product development, engineering and design services of computer motherboard. For financial and management reporting purposes, the results of Onetech Group were grouped under the Group's business of development and provision of electronic turnkey device solutions.

On 4 May 2010, the Operating Subsidiary and the Investor entered into a supplemental loan facility agreement, pursuant to which the Investor agreed to provide an additional working capital facility of up to HK$20 million (the "Additional Working Capital Facility") to the Operating Subsidiary.

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

On 12 May 2010, the Stock Exchange issued a third decision letter to the Company in relation to placing the Company in the third 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 a viable resumption proposal and the Stock Exchange was of the view that the Company did not have sufficient operations or assets in compliance with Rule 13.24 of the Listing Rules. According to the Third Decision Letter, the Company was required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before 11 November 2010, being the expiry of the six-month period from the date of placing the Company in the third stage of the delisting procedures.

On 11 June 2010, the Provisional Liquidators, Mr. Suen, the Company and the Investor, by way of a supplemental agreement, pursuant to which it is agreed that once the resumption proposal has been submitted to the Stock Exchange, the exclusivity period shall be automatically extended until the earlier of (1) the signing of the formal restructuring agreement or (2) the resumption proposal being rejected by the Stock Exchange and a written notice has been issued by the Investor to the Provisional Liquidators and the Company confirming that the Investor does not wish to proceed with an application for review, revise or appeal to the Stock Exchange or, if an application is made by the Company, the date of the Stock Exchange's decision in regard to such reviews, revisions or appeals and the Investor has indicated in writing that it does not wish to proceed with any further action in relation to the resumption proposal (for the avoidance of doubt, a decision of the Stock Exchange to proceed to the third stage of delisting procedure pursuant to the Listing Rules, shall not constitute a rejection unless a statement to the effect that the listing of the Company's shares will be cancelled is recorded). In addition, the exclusivity period may be extended if the parties agree in writing.

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

Further, the Investor has also contributed an additional fee to the Provisional Liquidators and such fee may be used at the Provisional Liquidators' sole discretion to discharge any of the professional fees in relation to the Proposed Restructuring from time to time.

On 4 August 2010, for the purpose of approving the Capital Increase Agreement, re-election of Directors, approving annual report 2008, approving annual report 2009 and re-appointment of auditor, annual general meetings for the years ended 31 December 2008 (the "AGM 2008") and 2009 (the "AGM 2009") and an extraordinary general meeting (the "EGM") were convened. However, in order to understand the intent of and seek to reach consensus with the controlling shareholder so that the Company can continue its operation and proceed with the proposed restructuring, the AGM 2008, AGM 2009 and EGM were adjourned on 4 August 2010 until further notice. Subsequently, on 26 November 2010, the AGM 2008, AGM 2009 and EGM were re-convened and the resolutions as included in the AGM 2008, AGM 2009 and EGM were duly passed and approved.

On 28 October 2010, a revised resumption proposal (the "Revised Resumption Proposal") was submitted to the Stock Exchange. The Revised Resumption Proposal 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.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and, prior to the suspension of trading in the shares of the Company, through its subsidiaries, was principally engaged in the (i) sale of semiconductors and related products; (ii) development and sale of auto devices and parts; and (iii) development and sale of wireless devices and solutions. The businesses of development and sale of auto devices and wireless devices and solutions were developed as a result of the Group's capability in research and development of embedding application software for semiconductors which evolved into development of electronic turnkey device solutions. For the year ended 31 December 2010, whilst principally engaged in the business of sale of semiconductors and related products, the Company has resurrected the business of development and provision of electronic turnkey device solutions based on its existing consumer electronics business aiming to optimize synergy benefit from economies of scale and a more efficient supply chain management. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2010 and the state of its affairs as at that date are set out in the financial statements on pages 31 to 75.

BUSINESS REVIEW

Since June 2009, the Group has resumed its sale of semiconductors and related products business through the Operating Subsidiary. During the year, a significant increase in turnover and profitability has been recorded by this business segment and its business is progressing well. Enormous effort has been spent by the management in widening the product range and upgrading the services offered by the Group in order to solicit new customers and drive up turnover and profitability of this segment. The results are encouraging and management is optimistic about the segment's performance in the future years.

The Group has also recommenced its business of development and provision of electronic turnkey device solutions during the year. The business segment is currently focusing on providing product development, engineering and design services of computer motherboards and arranging production of the same for supply to computer assembling companies. Through providing quality product development, engineering and design services, it is expected that this business segment will continue to grow in the coming years and contribute a significant portion of the Group's turnover and profitability.

FINANCIAL REVIEW

The Group's turnover for the year ended 31 December 2010 was approximately HK$178,481,000, representing a very substantial increase of approximately HK$145,401,000 or almost 4.4 times when compared with the previous year (2009: approximately HK$33,080,000). The strong growth in the Group's turnover was mainly attributed to the significant expansion of the Group's sale of semiconductors and related products business and the recommencement of the Group's business of development and provision of electronic turnkey device solutions. When compared with the prior year, the turnover of the sale of semiconductors and related products business segment increased by approximately HK$114,426,000 or almost 3.5 times to approximately HK$147,506,000 (2009: approximately HK$33,080,000), which mainly due to its significant expansion of customer base and widened product range. In addition, the Group's business of development and provision of electronic turnkey device solutions, which recommenced this year, also contributed a turnover of approximately HK$30,975,000 to the Group's total turnover. These two business segments both contributed a profitable result to the Group, in which the segment profit of the sale of semiconductors and related products business increased substantially by approximately HK$4,773,000 to approximately HK$6,943,000 (2009: approximately HK$2,170,000), and the segment profit of the business of development and provision of electronic turnkey device solutions was approximately HK$3,477,000 for the current year.

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

	Sale of semiconductors and related products business *HK$'000*	Development and provision of electronic turnkey device solutions business *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2010			
Turnover	**147,506**	**30,975**	**178,481**
Segment profit before finance cost and income tax expense	**6,943**	**3,477**	**10,420**
Year ended 31 December 2009			
Turnover	33,080	–	33,080
Segment profit before finance cost and income tax expense	2,170	–	2,170

FINANCIAL REVIEW (continued)

The Group recorded a loss attributable to owners of the Company of approximately HK$20,128,000 for the current year, representing a significant decrease of approximately 40% when compared with last year (2009: approximately HK$33,275,000). The loss incurred by the Group was mainly attributed to the loss on financial guarantee liabilities of approximately HK$23,250,000 (2009: approximately HK$30,284,000), impairment on amounts due from the deconsolidated subsidiaries of approximately HK$1,598,000 (2009: approximately HK$25,000) and restructuring costs of approximately HK$5,021,000 (2009: approximately HK$4,768,000). The loss was partly offset by gain on deconsolidation of the subsidiaries of approximately HK$527,000 (2009: nil). The financial guarantee liabilities represented the corporate guarantees provided by the Company for all the bank loans and certain other payables of the deconsolidated subsidiaries which are expected to be discharged under the proposed schemes of arrangement of the Company upon the completion of the Proposed Restructuring. If such loss on financial guarantee liabilities, impairment on amounts due from the deconsolidated subsidiaries, restructuring costs and gain on deconsolidation of the subsidiaries were excluded from the results of both years, the Company would have reported a profit attributable to owners of the Company of approximately HK$9,214,000 for the current year and a comparable profit of approximately HK$1,802,000 in the previous year, and a profit before tax of approximately HK$9,854,000 for the current year and a comparable profit of approximately HK$2,152,000 in previous year. Such improvement in the Group's operating results reflects the effort of the current management in expanding the Group's customer base, widening its range of products and services, increasing its sales volume as well as its profit margin.

For the year ended 31 December 2010, the basic loss per share was approximately HK1.08 cents (2009: approximately HK1.78 cents).

RESERVES

To the best knowledge of the Provisional Liquidators, details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

LIQUIDITY AND FINANCIAL RESOURCES

To the best knowledge of the Provisional Liquidators, as at 31 December 2010, the Group had bank and cash balances of approximately HK$1,631,000 (2009: approximately HK$8,867,000) and total assets of approximately HK$37,696,000 (2009: approximately HK$12,853,000), and current liabilities of approximately HK$324,843,000 (2009: approximately HK$280,186,000) and deficiency of equity attributable to owners of the Company of approximately HK$287,602,000 (2009: approximately HK$267,333,000). The Group's current ratio at the end of the reporting period was approximately 11.6% (2009: approximately 4.6%). The Group's gearing ratio could not be determined as the Group had net liabilities as at 31 December 2010 (2009: could not be determined). The Group's gearing ratio represented its total borrowings to the sum of equity attributable to the owners of the Company and total borrowings of the Group.

DIVIDEND

There will be no payment of a final dividend for the year ended 31 December 2010 (2009: nil).

PROSPECTS

The proposed subscription for the additional registered capital of the Target Company represents a good opportunity for the Group to further expand its electronic turnkey device solutions business and to create synergy effects with its existing semiconductors businesses. 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 in future.

Looking ahead, the Group will continue to look for business opportunities aiming to increase Group's turnover and profitability. Furthermore, the Group is also seeking investment opportunities to expand its business portfolio so that it can capture the development and trends of the electronic components market. These business expansion plans will be possibly financed by a fund raising exercise as contemplated in the Proposed Restructuring.

PROSPECTS (continued)

Since entering into the Exclusivity Agreement and with the support of the Investor, the Company has successfully resumed its businesses via the Operating Subsidiary. 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.

MATERIAL ACQUISITION AND DISPOSAL

Saved as to the proposed subscription for the additional registered capital of the Target Company mentioned aforesaid under the heading "Prospects" of this Report, to the best knowledge of the Provisional Liquidators, the Group had no material acquisition or disposal during the year ended 31 December 2010.

CAPITAL STRUCTURE

For the year ended 31 December 2010, 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 2010 are set out in note 19 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

To the best knowledge of the Provisional Liquidators, as at 31 December 2010, the Group had 20 employees (2009: 7 employees and 1 consultant). During the year, the Group remunerated its employees based on the performance and the prevailing industry practices.

FINANCIAL GUARANTEE LIABILITIES

The Company has provided corporate guarantees for certain bank loans and other payables of its subsidiaries which had been deconsolidated from the consolidated financial statements of the Group since 1 July 2008. Consequently, the Company is liable to the financial guarantee liabilities of approximately HK$256,544,000 as at 31 December 2010 (2009: approximately HK$233,294,000). Liabilities of the Company are expected to be discharged under the proposed schemes of arrangement of the Company.

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 Group did not have any significant contingent liabilities at the end of the reporting period (2009: nil).

PLEDGE OF ASSETS

To the best knowledge of the Provisional Liquidators, as at 31 December 2009 and 2010, all the assets of the Operating Subsidiary were pledged to the Investor by way of floating charge to secure the Working Capital Facility and Additional Working Capital Facility granted by the Investor to the Operating Subsidiary.

LEASE COMMITMENTS

To the best knowledge of the Provisional Liquidators, the Group did not have any significant lease commitment as at 31 December 2010 (2009: nil).

CAPITAL COMMITMENTS

To the best knowledge of the Provisional Liquidators, the Group did not have any significant capital commitments as at 31 December 2010 (2009: nil):

SHARE CAPITAL

There was no movement in the issued share capital during the years ended 31 December 2009 and 2010. Particular of the Company's share capital are set out in note 28 to the consolidated financial statements.

No share option was granted, exercised or cancelled, except for the 13,100,000 share options were lapsed during the year ended 31 December 2010.

RELATED PARTY TRANSACTIONS

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

	2010	2009
	HK$'000	*HK$'000*
Compensation of key management personnel		
Short-term benefits	**215**	50

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Apart from those events as disclosed in note 36 to the consolidated financial statements, to the best knowledge of the Provisional Liquidators, the Group has no significant events subsequent to the year ended 31 December 2010.

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 2010.

EXPOSURE TO FOREIGN EXCHANGE RISK

To the best knowledge of the Provisional Liquidators, 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 Provisional Liquidators believed it was not necessary to hedge the exchange risk. Nevertheless, the Provisional Liquidators will continue to monitor the foreign exchange exposure and will take prudent measures as deemed appropriate.

SHARE OPTION SCHEME

To the best knowledge of the Provisional Liquidators, details of the movement in share options which have been granted to the following category of participants under the Company's share option scheme during the year are as follows:

Year ended 31 December 2010

Name of category	Date of grant of share option	Exercise period	Exercise price of share options *HK$*	Balance as at 1/1/2010	Exercise during the year	Lapsed during the year	Balance as at 31/12/2010
Director	25/6/2007	25/6/2007 to 24/6/2017	0.694	13,100,000	–	(13,100,000)	–
Exercisable at 31 December 2010							–

Year ended 31 December 2009

Name of category	Date of grant of share option	Exercise period	Exercise price of share options *HK$*	Balance as at 1/1/2009	Exercise during the year	Lapsed during the year	Balance as at 31/12/2009
Director	25/6/2007	25/6/2007 to 24/6/2017	0.694	13,100,000	–	–	13,100,000
Exercisable at 31 December 2009							13,100,000

Note:

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Director:

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

Independent Non-executive Directors:

Mr. Tso Shiu Kei, Vincent
Mr. Young Meng Cheung, Andrew
Mr. Poon Ka Lee, Barry

In accordance with the provisions of the Company's Articles of Association, Messrs. Tso Shiu Kei, Vincent, Young Meng Cheung, Andrew and 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, the Executive Director 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

The above service agreement had continued after their respective initial terms from year to year until terminated by either party with a three months' notice in writing served on the other side. All the Executive Directors except the chairman of the Board of Directors 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. Dr. Wong resigned as an Executive Director with effect from 1 March 2010. Details are set out in note 2 to the consolidated financial statements.

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 2010, 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

Name of shareholder	Nature of interest Registered shareholder	Corporate interest	Total number of ordinary shares held Long position	Short position	Percentage of the issued share capital 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 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.

Dr. Wong Shu Wing resigned as an Executive Director with effect from 1 March 2010.

Other than as disclosed above, to the best knowledge of the Provisional Liquidators, none of the Directors, 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 2010.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

To the best knowledge of the Provisional Liquidators, save for the share option scheme 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 contract 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 2010 or at any time during the year then ended.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2010, 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:

Name of substantial shareholder	Nature of interest: Registered shareholder	Nature of interest: Corporate interest	Total number of ordinary shares held: Long position	Total number of ordinary shares held: Short position	Percentage of the issued share capital of the Company
Kingston Securities Limited	562,800,000	–	562,800,000 *(Note 1)*	–	30.18%
Best Eagle International Limited	19,600,000	551,600,000	571,200,000 *(Note 1)*	–	30.63%
Dr. Wong Shu Wing	27,000,000	582,400,000	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%

Note 1: Kingston Securities Limited holds 551,600,000 shares and 11,200,000 shares on behalf of Best Eagle International Limited and Dr. Wong Shu Wing respectively. 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.

SUBSTANTIAL SHAREHOLDERS (continued)

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.

Save as disclosed herein, as at 31 December 2010, 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 share 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 share capital (including short positions) representing 5% or more of the issued share capital as at 31 December 2010.

INDEPENDENCE

Independent Non-executive Directors of the Company are required to give an annual confirmation of their independence to the Company pursuant to Rule 3.13 of the Listing Rules. This practice is being observed and the Company considers the Independent Non-executive Directors to be independent.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2010, sales to the Group's five largest customers accounted for approximately 76% (2009: 99%) of the total sales for the year and sales to the largest customer accounted for approximately 32% (2009: 38%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 58% (2009: 92%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 37% (2009: 36%) of the total purchases for the year.

To the best knowledge of the Provisional Liquidators, none of the Directors of the Company or any of their associates or any shareholders (hold more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

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. The employees of the Company's subsidiary established in the PRC are member of a central pension scheme operated by the local municipal government.

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 latest practicable 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

To the best knowledge of the Provisional Liquidators, since the suspension of the trading in the shares of the Company on 2 December 2008, the Company has found it impracticable to adopt a code of conduct regarding securities transactions by the directors of the Company on terms as set out in Appendix 10: "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") of the Listing Rules. Due to the fact that all of the Directors, except for Dr. Wong Shu Wing who resigned on 1 March 2010, had left prior to the appointment of the Provisional Liquidators, the Provisional Liquidators are unable to comment whether there has been any non-compliance with the required standard in the Model Code for dealing in the securities of the Company for the year ended 31 December 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

As the Company is under the control of the Provisional Liquidators and a full board of Directors has not been constituted, the current Independent Non-executive Directors of the Company are unable to comply with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. However, upon resumption of trading in the shares of the Company, the Company will ensure that the Code on Corporate Governance Practices shall be complied with.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2010. 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 consolidated financial statements conducted by the audit committee was entirely based on the books and records available to the Provisional Liquidators since their appointment.

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the published consolidated results, assets and liabilities and non-controlling interests of the Group for the last five financial years is set out on page 76 of this report. This summary is for information only, it does not form part of audited consolidated financial statements.

AUDITORS

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 2009 annual general meeting of the Company held on 15 November 2010, the members of the Company resolved to appoint ANDA CPA Limited as auditor of the Company. ANDA CPA Limited have been engaged to audit the consolidated financial statements of the Group for the years ended 31 December 2008, 2009 and 2010.

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, 11 March 2011

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") and its subsidiaries (together, the "Group") set out on pages 31 to 75, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

PROVISIONAL LIQUIDATORS AND DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Provisional Liquidators and the Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Provisional Liquidators and the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, 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

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2009 (the "2009 Financial Statements"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 17 June 2010. Accordingly, we were then unable to form an opinion as to whether the 2009 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's results and cash flows for the year then ended.

BASIS FOR DISCLAIMER OF OPINION (Continued)

2. Gain on deconsolidation of the subsidiaries and impairment on amounts due from the deconsolidated subsidiaries

Certain subsidiaries of the Company were deconsolidated from the Group since 30 July 2010. No sufficient evidence has been provided for us to verify the transactions for the period from 1 January 2010 to 30 July 2010 and the net liabilities amount upon deconsolidation as at 30 July 2010 of these subsidiaries. As a result, we are unable to satisfy ourselves as to the gain on deconsolidation of the subsidiaries of approximately HK$527,000 in the consolidated statement of comprehensive income for the year ended 31 December 2010 and as to whether all the transactions of these subsidiaries were included in the consolidated financial statements.

In addition, we are unable to satisfy ourselves as the impairment on amounts due from the deconsolidated subsidiaries of approximately HK$1,598,000 as included in the other losses in the consolidated statement of comprehensive income for the year ended 31 December 2010.

3. Accruals, other payables and deposits received

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the accrual and other payables totalling approximately HK$372,000 as at 31 December 2010 as included in the accruals, other payables and deposits received of approximately HK$29,804,000 in the consolidated statement of financial position.

4. 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 totalling approximately HK$1,528,000 as at 31 December 2010 as included in the current tax liabilities of approximately HK$2,578,000 in the consolidated statement of financial position.

5. 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 2010.

BASIS FOR DISCLAIMER OF OPINION (Continued)

6. Related party balances

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party balances as at 31 December 2010 as required by Hong Kong Accounting Standard 24 "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 6 above might have a significant consequential effect on the Group's results for the two years ended 31 December 2009 and 2010, the Group's cash flows for the two years ended 31 December 2009 and 2010 and the financial positions of the Group as at 31 December 2009 and 2010, 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") and a revised Resumption Proposal were submitted to The Stock Exchange of Hong Kong Limited on 14 January 2010 and 28 October 2010 respectively.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, 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 restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION

Because of the significance of the matters as described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. 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, 11 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	7 & 10	**178,481**	33,080
Cost of sales		**(165,840)**	(30,305)
Gross profit		**12,641**	2,775
Other income	8	**31**	24
Administrative expenses		**(7,277)**	(5,402)
Gain on deconsolidation of the subsidiaries	9	**527**	–
Other losses	11	**(24,848)**	(30,309)
Loss from operations		**(18,926)**	(32,912)
Finance cost	12	**(114)**	(13)
Loss before tax	13	**(19,040)**	(32,925)
Income tax expense	14	**(640)**	(350)
Loss for the year		**(19,680)**	(33,275)
Other comprehensive income/(expenses) after tax:			
Exchange differences on translating foreign operations		**28**	–
Exchange differences release from deconsolidation of the subsidiaries	9	**(162)**	–
Other comprehensive expenses for the year, net of tax		**(134)**	–
Total comprehensive expenses for the year		**(19,814)**	(33,275)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(20,128)**	(33,275)
Non-controlling interests		**448**	–
		(19,680)	(33,275)
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		**(20,269)**	(33,275)
Non-controlling interests		**455**	–
		(19,814)	(33,275)
Loss per share	*18*		
Basic and diluted (HK cents per share)		**(1.08)**	(1.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	19	**88**	11
Investment in an associate	20	**–**	–
		88	11
Current assets			
Inventories	21	**7,450**	1,045
Trade receivables	22	**25,493**	2,930
Prepayments, deposits and other receivables		**3,034**	–
Bank and cash balances		**1,631**	8,867
		37,608	12,842
Current liabilities			
Trade payables	23	**8,507**	837
Accruals, other payables and deposits received	24	**29,804**	17,500
Due to deconsolidated subsidiaries	26	**27,410**	26,617
Current tax liabilities		**2,578**	1,938
Financial guarantee liabilities	25	**256,544**	233,294
		324,843	280,186
Net current liabilities		**(287,235)**	(267,344)
NET LIABILITIES		**(287,147)**	(267,333)
Capital and reserves			
Share capital	28	**186,478**	186,478
Reserves	29	**(474,080)**	(453,811)
Deficiency of equity attributable to owners of the Company		**(287,602)**	(267,333)
Non-controlling interests		**455**	–
DEFICIENCY OF TOTAL EQUITY		**(287,147)**	(267,333)

Approved by:

Stephen Liu Yiu Keung
Provisional Liquidator

David Yen Ching Wai
Provisional Liquidator

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company								
	Share capital	Share premium	Special reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	186,478	15,409	(64,907)	1,939	162	(373,139)	(234,058)	–	(234,058)
Total comprehensive expenses for the year	–	–	–	–	–	(33,275)	(33,275)	–	(33,275)
At 31 December 2009	186,478	15,409	(64,907)	1,939	162	(406,414)	(267,333)	–	(267,333)
At 1 January 2010	186,478	15,409	(64,907)	1,939	162	(406,414)	(267,333)	–	(267,333)
Lapse of share options	–	–	–	(1,939)	–	1,939	–	–	–
Total comprehensive (expenses)/income for the year	–	–	–	–	(141)	(20,128)	(20,269)	455	(19,814)
At 31 December 2010	186,478	15,409	(64,907)	–	21	(424,603)	(287,602)	455	(287,147)

	2010	2009
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before tax	**(19,040)**	(32,925)
Adjustments for:		
Depreciation	**7**	–
Impairment on amounts due from the deconsolidated subsidiaries	**1,598**	25
Loss on financial guarantee liabilities	**23,250**	30,284
Gain on deconsolidation of the subsidiaries	**(527)**	–
Interest income	**(1)**	–
Finance cost	**114**	13
Operating cash flows before working capital changes	**5,401**	(2,603)
Change in inventories	**(6,405)**	(1,045)
Change in trade receivables	**(22,563)**	(2,930)
Change in prepayments, deposits and other receivables	**(3,034)**	–
Change in amounts due from the deconsolidated subsidiaries	**–**	(25)
Change in trade payables	**7,670**	837
Change in accruals, other payables and deposits received	**5,569**	5,933
Change in amounts due to deconsolidated subsidiaries	**(705)**	–
Net cash (used in)/generated from operating activities	**(14,067)**	167
Cash flows from investing activities		
Interest received	**1**	–
Purchase of property, plant and equipment	**(84)**	(11)
Net cash used in investing activities	**(83)**	(11)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Cash flows from financing activities		
Interest paid	**(114)**	(13)
Loans from the Investor	**7,000**	8,000
Net cash generated from financing activities	**6,886**	7,987
Net (decrease)/increase in cash and cash equivalents	**(7,264)**	8,143
Effect of exchange difference	**28**	–
Cash and cash equivalents at beginning of year	**8,867**	724
Cash and cash equivalents at end of year	**1,631**	8,867
Analysis of cash and cash equivalents		
Bank and cash balances	**1,631**	8,867
	1,631	8,867

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.

These 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, prior to the suspension of trading in the shares of the Company, through its subsidiaries, was principally engaged in the (i) sale of semiconductors and related products; (ii) development and sale of auto devices and parts; and (iii) development and sale of wireless devices and solutions. The businesses of development and sale of auto devices and wireless devices and solutions were developed as a result of the Group's capability in research and development of embedding application software for semiconductors which evolved into development of electronic turnkey device solutions. For the year ended 31 December 2010, whilst principally engaged in the business of sale of semiconductors and related products, the Company has resurrected the business of development and provision of electronic turnkey device solutions based on its existing customers of electronics business aiming to optimize synergy benefit from economies of scale and a more efficient supply chain management. The principal activities of its subsidiaries are set out in note 37 to these consolidated financial statements.

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 for the appointment of provisional liquidators of the Company to the High Court on 16 December 2008 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, 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 9 May 2011 to allow time for the implementation of the proposed restructuring of the Company.

2. Basis of preparation (continued)

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.

On 30 July 2009, the Stock Exchange issued a letter to the Company (the "Second Decision Letter") in relation to placing the Company into the second stage of the delisting procedures under Practice Note 17 of the Listing Rules after taking into consideration that the Company had failed to submit to the Stock Exchange any resumption proposal on or 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 date of the six month period from the date of placing the Company in the second stage of the delisting procedures.

On 14 January 2010, a resumption proposal was submitted to the Stock Exchange.

On 12 May 2010, the Stock Exchange issued a letter to the Company (the "Third Decision Letter") in relation to placing the Company into the third 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 a viable resumption proposal and the Stock Exchange was of the view that the Company did not have sufficient operations or assets in compliance with Rule 13.24 of the Listing Rules. According to the Third Decision Letter, the Company was required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before 11 November 2010, the expiry date of the six month period from the date of 12 May 2010, on which the Company was placed in the third stage of the delisting procedures.

On 28 October 2010, a revised resumption proposal was submitted to the Stock Exchange.

2. Basis of preparation (continued)

Proposed restructuring of the Group

The Provisional Liquidators had appointed Asian Capital (Corporate Finance) Limited (the "Financial Adviser") as the 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 14 June 2010, the Financial Adviser tendered its resignation to the Company. On 16 July 2010, the Company has appointed Partners Capital International Limited as the new financial adviser of the Company.

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 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 businesses of the Group.

On 3 July 2009, the Investor and the Operating Subsidiary entered into a loan facility agreement pursuant to which the Investor agreed to provide a loan 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 is secured by a floating charge of all assets of the Operating Subsidiary executed on 3 July 2009 by the Operating Subsidiary in favour of the Investor. The Group has since resumed its sale 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, LLC., a US incorporated limited liability company ("Telecycle"), entered into the memorandum of understanding (the "MOU"), 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 will be principally engaged in collecting and recycling end-of-life telecom equipment in Asia, with a focus on the Greater China areas. The entering into the formal agreement for setting up the joint venture pursuant to the MOU is subject to resumption of trading in shares of the Company, as the Company's shares have not resumed trading, formal agreement has not been entered into between the parties and the MOU was lapsed on 31 August 2010. However, both parties agreed that negotiations on setting up the joint venture or other business cooperation shall continue on a non-exclusive basis.

2. Basis of preparation (continued)

Proposed restructuring of the Group (continued)

In April 2010, Global Winner Enterprises Limited ("Global Winner"), the Operating Subsidiary, set up a subsidiary known as Onetech Technology Company Limited ("Onetech") which is a company incorporated in Hong Kong with limited liability. In June 2010, Onetech has received approvals from relevant government authorities in the People's Republic of China (the "PRC") to establish its wholly owned foreign enterprise in the PRC known as 勝沃數碼電子（深圳）有限公司 (literally translated as Sheng Wo Digital Electronics (Shenzhen) Company Limited ("Sheng Wo")) (together with Onetech, the "Onetech Group"). The management team of Onetech is primarily responsible for the marketing and sale of the Group's customised semiconductors products of computer motherboard and supply essential components to its subcontractor in the PRC to manufacture the computer motherboard, whereas management team of Sheng Wo in Shenzhen is primarily responsible for the product development, engineering and design of computer motherboard products as well as quality inspection and control of products manufactured by the subcontractor. Currently, Onetech is legally and beneficially owned as to 76% by Global Winner and 24% by four individual partners who are third parties independent of the Company.

On 4 May 2010, the Operating Subsidiary and the Investor entered into a supplemental loan facility agreement, pursuant to which the Investor agrees to provide an additional working capital facility of up to HK$20 million (the "Additional Working Capital Facility") to the Operating Subsidiary.

On 11 June 2010, the Provisional Liquidators, Mr. Suen, the Company and the Investor entered into a supplemental exclusivity agreement (the "Supplemental Exclusivity Agreement"), pursuant to which it is agreed that once the resumption proposal has been submitted to the Stock Exchange, the exclusivity period shall be automatically extended until the earlier of (1) the signing of the formal agreement or (2) the resumption proposal being rejected by the Stock Exchange and a written notice has been issued by the Investor to the Provisional Liquidators and the Company confirming that the Investor does not wish to proceed with an application for review, revise or appeal to the Stock Exchange or, if an application is made by the Company, the date of the Stock Exchange's decision in regard to such reviews, revisions or appeals and the Investor has indicated in writing that it does not wish to proceed with any further action in relation to the resumption proposal (for the avoidance of doubt, the decision of the Stock Exchange to proceed to the third stage of delisting procedure pursuant to the Listing Rules does not constitute a rejection unless a statement to the effect that the listing of the Company's shares will be cancelled is recorded). In addition, the exclusivity period may be extended if the parties agree in writing.

2. Basis of preparation (continued)

Proposed restructuring of the Group (continued)

Further, the Investor has also contributed an additional fee to the Provisional Liquidators and such fee may be used at the Provisional Liquidators' discretion to discharge any of the professional fees in relation to the proposed restructuring from time to time.

Capital Increase Agreement

On 26 March 2010 and 15 June 2010, Global Winner, 廈門華聯電子有限公司 (Xiamen Hualian Electronics Company Limited) ("Xiamen Hualian") and 佛山聯創華聯電子有限公司 (Fohsan Lianchuang Hualian Electronics Company Limited) (the "Target Company") entered into a capital increase agreement (the "Capital Increase Agreement") and a supplemental capital increase agreement (the "Supplemental Capital Increase Agreement") respectively pursuant to which Global Winner conditionally agreed to subscribe for additional registered capital of the Target Company. Upon completion, Global Winner will own 52.38% equity interest of the Target Company.

Pursuant to these agreements, Global Winner has conditionally agreed to subscribe for additional registered capital of the Target Company in the amount of RMB11,000,000 for a cash consideration of RMB12,000,000. The Directors of the Company or the Provisional Liquidators are authorised to do all such further acts and things and execute such further documents for and on behalf of the Company which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to the transaction contemplated by the Capital Increase Agreement and the Supplemental Capital Increase Agreement and to approve any changes and amendments thereto as the Directors of the Company or the Provisional Liquidators (as the case may be) may consider necessary, desirable or expedient.

On 10 September 2010, Global Winner, Xiamen Hualian and Target Company (together, the "Parties") entered into the second supplemental capital increase agreement, pursuant to which if all conditions precedent as set out in the Capital Increase Agreement cannot be fulfilled within 360 days (i.e. 21 March 2011) after the date of the Capital Increase Agreement (or such other date that the Parties otherwise agree), the Capital Increase Agreement will be terminated and upon which the obligations of the Parties shall be of no further effect save for antecedent breaches. The effect is to extend the time period to fulfill all the conditions precedent in the Capital Increase Agreement to 21 March 2011.

Announcements of Annual General Meetings and Extraordinary General Meeting

On 4 August 2010, for the purpose of approving the Capital Increase Agreement, re-election of Directors, approving annual report 2008, approving annual report 2009 and re-appointment of auditor, annual general meetings for the years ended 31 December 2008 (the "AGM 2008") and 2009 (the "AGM 2009") and an extraordinary general meeting (the "EGM") were convened. However, in order to understand the intent of and seek to reach consensus with the controlling shareholder so that the Company can continue its operation and proceed with the proposed restructuring, the AGM 2008, AGM 2009 and EGM were adjourned on 4 August 2010 until further notice. Subsequently, on 26 November 2010, the AGM 2008, AGM 2009 and EGM were re-convened and the resolutions as included in the AGM 2008, AGM 2009 and EGM were duly passed and approved.

2. Basis of preparation (continued)

Controlling Shareholder's Voting Rights

Dr. Wong Shu Wing ("Dr. Wong"), who resigned as an Executive Director of the Company on 1 March 2010, has an interest in 609,400,000 shares, representing approximately 32.68% of the existing issued share capital of the Company. In addition, Dr. Wong is a creditor of the Company for an amount of approximately HK$446,880 (the "Sum") in relation to his remuneration as an Executive Director up to 24 December 2008 (i.e. the date on which the Company was placed under provisional liquidation). As the indebtedness owed to Dr. Wong is proposed to be settled under the schemes of arrangement (the "Schemes") of the resumption proposal, the proposed settlement with Dr. Wong under the Schemes will constitute a special deal under Note 5 to Rule 25 of the Hong Kong Code of Takeovers and Mergers (the "Takeovers Code"). Thus, Dr. Wong and his associates are considered to be interested in the Capital Increase Agreement which forms part of the resumption proposal and are not eligible to vote on all relevant resolutions in relation to the Capital Increase Agreement at the EGM.

On 26 July 2010, Dr. Wong entered into a deed of waiver (the "Deed"), pursuant to which Dr. Wong forgave, waived and released the Company from any and all liabilities and obligations to repay all amounts due by the Company and/or its subsidiaries to him including the Sum or any part thereof and from any and all demands, claims or suits relating directly or indirectly thereto and agreed not to assert after the date of the Deed any claim relating to any such obligations or liabilities against the Company or its successors and assigned and waived and agreed to waive any such claims which may have been previously asserted. Having considered that Dr. Wong has waived all his claims against the Company after the execution of the Deed, the special deal under Note 5 to Rule 25 of the Takeovers Code is not applicable, Dr. Wong and his associates are eligible to vote on all relevant resolutions in relation to the Capital Increase Agreement at the EGM.

Action against a former Director of the Company

On 12 October 2010, the Provisional Liquidators filed an application with the High Court against Dr. Wong for, inter alia, breaches of director's duties and an injunction against Dr. Wong and his associates to restrain them from voting against the resolutions at the re-convened AGM 2008, AGM 2009 and EGM.

On 8 November 2010, the Court granted an interlocutory injunction order against Dr. Wong and his associates. The injunction restrained Dr. Wong and his associates from voting against the proposed resolutions at the re-convened AGM 2008, AGM 2009 and EGM.

Members' Voluntary Liquidation

On 30 July 2010, the Provisional Liquidators were also appointed as the joint and several liquidators of Sunlink Wavecom Limited (In Members' Voluntary Liquidation) pursuant to the special resolutions passed at the extraordinary general meetings on the same date. The results, assets and liabilities and cash flows of this subsidiary and its wholly-owned foreign enterprise in the PRC, 駿泰陽軟件科技(深圳)有限公司, were therefore deconsolidated from the consolidated financial statements of the Group since then.

2. Basis of preparation (continued)

Disqualification order from the Securities and Futures Commission (the "SFC")

On 20 January 2011, the SFC commenced the proceedings in the High Court, seeking orders to disqualify Dr. Wong and Mr. Lee Chak To, a former chief financial officer of the Company as company directors for alleged misconducts.

Representation of the Provisional Liquidators on the consolidated financial statements

Since 24 December 2008, pursuant to a court order, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, both of Ernst&Young Transactions Limited, have been appointed as the Provisional Liquidators of the Company, as a result from an application for the appointment of the Provisional Liquidators which were presented and filed to the High Court by the Petitioner and the Supporting Creditor on 10 and 16 December 2008 respectively.

As such, the Provisional Liquidators do not have the same knowledge of the financial affairs of the Group as the ex-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 these financial statements for the year ended 31 December 2010 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 consolidated financial statements for the year ended 31 December 2010.

The Provisional Liquidators make no representation as to the completeness of the information contained in these financial statements, given that insufficient books and records were recovered by the Provisional Liquidators upon their appointment.

Going concern

The Group incurred a loss attributable to owners of the Company of approximately HK$20,128,000 for the year ended 31 December 2010 (2009: loss of approximately HK$33,275,000) and as at 31 December 2010 the Group had net current liabilities of approximately HK$287,235,000 (2009: approximately HK$267,344,000) and net liabilities of approximately HK$287,147,000 (2009: approximately HK$267,333,000). These conditions indicate the existence of a material uncertainty which may cause significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The 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.

2. Basis of preparation (continued)

Going concern (continued)

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the 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 (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices and amounts reported for the current year and prior years except as stated below.

Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

– Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

– Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.

– When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised 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 consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the Directors and Provisional Liquidators 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 Company 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 deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. Significant accounting policies (continued)

Consolidation (continued)

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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 and is initially recognised at cost. Identifiable assets and 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 and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. 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 consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, 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 that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and 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 on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of comprehensive income 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 consolidated profit or loss as part of the gain 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 recognised in profit or loss 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:

Office equipment	20%
Computer equipment	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

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 profit or loss.

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

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.

4. Significant accounting policies (continued)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position 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 the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 profit or 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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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.

Cash and cash equivalents

For the purpose of the statement of cash flows, 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.

4. Significant accounting policies (continued)

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 reporting period.

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 profit or loss 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.

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.

4. Significant accounting policies (continued)

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 profit or loss represents contributions payable by the Group to the funds.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss 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 recognised in profit or loss 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 end of the reporting period.

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. 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 the end of each reporting period 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 end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly 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;

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);

4. Significant accounting policies (continued)

Related parties (continued)

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

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables 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 profit or loss, 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 profit or loss, 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.

4. Significant accounting policies (continued)

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 reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period 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 reporting period 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, the Directors and Provisional Liquidators have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

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.

5. Critical judgements and key estimates (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

b) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

c) 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 2010.

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 transactions, 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 2010 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables and cash and bank balances. In order to minimise credit risk, the Directors and Provisional Liquidators have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors and Provisional Liquidators review 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, the Directors and Provisional Liquidation consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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 2010, 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 statement of financial position approximate their respective fair values.

7. Turnover

The Group's turnover is as follows:

	2010	2009
	HK$'000	*HK$'000*
Sales of semiconductors and related products	**147,506**	33,080
Development and provision of electronic turnkey device solutions	**30,975**	–
	178,481	33,080

8. Other income

	2010	2009
	HK$'000	*HK$'000*
Interest income	**1**	–
Sundry income	**30**	24
	31	24

9. Gain on deconsolidation of the subsidiaries

As disclosed in note 2 to the consolidated financial statements, the control over Sunlink Wavecom Limited (In Members' Voluntary Liquidation) was lost since 30 July 2010, the results, assets and liabilities and cash flows of this subsidiary together with its wholly-owned foreign enterprise in the PRC were therefore deconsolidated from the consolidated financial statements of the Group since then.

Net liabilities of these subsidiaries as at 30 July 2010 were as follows:

	HK$'000
Net amount due to the Group	(100)
Accruals and other payables	(265)
Net liabilities deconsolidated	(365)
Release of foreign currency translation reserve	(162)
Gain on deconsolidation of the subsidiaries	(527)
Net cash outflow arising on deconsolidation of the subsidiaries:	
Cash and cash equivalents of the subsidiaries deconsolidated	–

10. Segment information

The Group has two reportable segments as follows:

– Sale of semiconductors and related products business

– Development and provision of electronic turnkey device solutions business

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate expenses, gain on deconsolidation of the subsidiaries, other losses, finance cost and income tax expense. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities.

Information about reportable segment profit or loss, assets and liabilities are as follows:

	Sale of semiconductors and related products business		**Development and provision of electronic turnkey device solutions business**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 31 December						
Revenue from external customers	**147,506**	33,080	**30,975**	–	**178,481**	33,080
Segment profit before finance cost and income tax expense	**6,943**	2,170	**3,477**	–	**10,420**	2,170
Interest income	**1**	–	**–**	–	**1**	–
Interest expense	**114**	13	**–**	–	**114**	13
Depreciation	**3**	–	**4**	–	**7**	–
Capital expenditure	**8**	11	**76**	–	**84**	11
As at 31 December						
Segment assets	**16,629**	11,092	**20,830**	–	**37,459**	11,092
Segment liabilities	**16,980**	9,290	**8,987**	–	**25,967**	9,290

10. Segment information (continued)

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2010	2009
	HK$'000	*HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**10,420**	2,170
Unallocated amounts:		
Unallocated corporate other income	**–**	24
Unallocated corporate expenses	**(5,025)**	(4,797)
Gain on deconsolidation of the subsidiaries	**527**	–
Other losses	**(24,848)**	(30,309)
Loss from operations	**(18,926)**	(32,912)
Finance cost	**(114)**	(13)
Loss before tax	**(19,040)**	(32,925)

	2010	2009
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**37,459**	11,092
Unallocated corporate assets	**237**	1,761
Total assets	**37,696**	12,853

	2010	2009
	HK$'000	*HK$'000*
Liabilities		
Total liabilities of reportable segments	**25,967**	9,290
Unallocated corporate liabilities	**298,876**	270,896
Total liabilities	**324,843**	280,186

Geographical information:

	Turnover		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**178,481**	33,080	**15**	11
The PRC except Hong Kong	**–**	–	**73**	–
Consolidated total	**178,481**	33,080	**88**	11

10. Segment information (continued)

In presenting the geographical information, turnover is based on the locations where the sales are taken place.

Information about major customers:

Turnover from customers contributing over 10% of the total sales of the Group are mainly derived from the sale of semiconductors and related products business and development and provision of electronic turnkey device solutions business segments in the year ended 31 December 2010 (2009: mainly derived from the sale of semiconductors and related products business). For the year ended 31 December 2010, there are three major customers contributing over 10% of the total sales amounting to HK$57,717,000, HK$32,541,000 and HK$29,191,000 respectively. For the year ended 31 December 2009, there were three major customers contributing over 10% of the total sales amounting to HK$12,502,000, HK$11,650,000 and HK$6,678,000 respectively.

11. Other losses

	2010	2009
	HK$'000	*HK$'000*
Loss on financial guarantee liabilities	**23,250**	30,284
Impairment on amounts due from the deconsolidated subsidiaries	**1,598**	25
	24,848	30,309

12. Finance cost

	2010	2009
	HK$'000	*HK$'000*
Interest on loans	**114**	13

The interest expense of approximately HK$114,000 for the year ended 31 December 2010 (2009: approximately HK$13,000) was due to the loans from the Investor totalling HK$15,000,000 which were included in the accruals, other payables and deposits received as at 31 December 2010, carrying an annual interest rate of 1%.

13. Loss before tax

The Group's loss before tax is stated after charging/(crediting) the following:

	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration		
Current year	**360**	490
Over provision in prior years	**(167)**	–
	193	490
Staff costs including Directors' emoluments		
Salaries, bonus and allowances	**1,430**	415
Retirement benefits scheme contributions	**65**	18
	1,495	433
Cost of inventories sold	**156,578**	30,305
Depreciation	**7**	–
Operating lease charges on land and buildings	**386**	75

14. Income tax expense

	2010	2009
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**634**	350
Under provision in prior year	**6**	–
	640	350

Hong Kong Profits Tax has been provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year ended 31 December 2010.

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

14. Income tax expense (continued)

The reconciliation between the income tax expense and the loss before tax is as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before tax	**(19,040)**	(32,925)
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	**(3,142)**	(5,433)
Tax effect of expenses that are not deductible	**4,619**	5,783
Tax effect of income that are not taxable	**(602)**	–
Under provision in prior year	**6**	–
Effect of utilisation of tax loss previously not recognised	**(241)**	–
	640	350

15. Directors' and the five highest paid individuals

The emoluments of each Director 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 *(Note (a))*	26	–	–	–	–	26
Tso Shiu Kei, Vincent	63	–	–	–	–	63
Young Meng Cheung, Andrew	63	–	–	–	–	63
Poon Ka Lee, Barry	63	–	–	–	–	63
Total for 2010	215	–	–	–	–	215

15. Directors' and employees' emoluments (continued)

	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 *(Note (a))*	20	–	–	–	–	20
Tso Shiu Kei, Vincent	10	–	–	–	–	10
Young Meng Cheung, Andrew	10	–	–	–	–	10
Poon Ka Lee, Barry	10	–	–	–	–	10
Total for 2009	50	–	–	–	–	50

Note:

(a) Resigned on 1 March 2010.

The five highest paid individuals in the Group during the year included nil (2009: nil) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 5 (2009: 5) individuals are set out below:

	2010	2009
	HK$'000	*HK$'000*
Basic salaries and allowances	**845**	315
Retirement benefit scheme contributions	**42**	16
	887	331

The emoluments fell within the following band:

	Number of individuals 2010	Number of individuals 2009
Nil-HK$1,000,000	**5**	5

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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 and vest fully with employees when contributed into the MPF Scheme.

The employees of the Company'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. Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: nil).

18. Loss per share

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$20,128,000 (2009: approximately HK$33,275,000) and the weighted average number of ordinary shares of 1,864,780,000 (2009: 1,864,780,000) in issue during the year.

Diluted loss per share

Diluted loss per share for the years ended 31 December 2010 and 2009 is the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the two years.

19. Property, plant and equipment

	Office equipment *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2009	–	–	–
Additions	–	11	11
At 31 December 2009 and 1 January 2010	–	11	11
Additions	23	61	84
At 31 December 2010	23	72	95
Accumulated depreciation			
At 1 January, 31 December 2009 and 1 January 2010	–	–	–
Charge for the year	1	6	7
At 31 December 2010	1	6	7
Carrying amount			
At 31 December 2010	22	66	88
At 31 December 2009	–	11	11

20. Investment in an associate

	2010	2009
	HK$'000	*HK$'000*
Share of net assets	**–**	–

Details of the Group's associate which is held indirectly by the Company at 31 December 2010 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 (a))*	Hong Kong	10,000 ordinary shares of HK$1 each	45%	Trading of electronic parts and provision of technology solutions

Note:

(a) 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, cumulatively, are as follows:

	2010	2009
	HK$'000	*HK$'000*
Unrecognised share of losses of the associate for the year	**–**	–
Accumulated unrecognised share of losses of the associate	**454**	454

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

21. Inventories

	2010	2009
	HK$'000	*HK$'000*
Merchandises	**7,450**	1,045

22. Trade receivables

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 15 to 60 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:

	2010	2009
	HK$'000	*HK$'000*
30 days or less	**15,020**	2,930
31 days to 60 days	**7,262**	–
61 days to 90 days	**109**	–
Over 90 days	**3,102**	–
	25,493	2,930

As of 31 December 2010, trade receivables of HK$3,102,000 (2009: nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
Over 90 days	**3,102**	–

All the Group's trade receivables are denominated in the US dollars.

23. Trade payables

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

	2010	2009
	HK$'000	*HK$'000*
30 days or less	**3,686**	837
31 days to 60 days	**3,250**	–
61 days to 90 days	**28**	–
Over 90 days	**1,543**	–
	8,507	837

The carrying amounts of the Group's trade payables are denominated in the US dollars.

24. Accruals, other payables and deposits received

	2010	2009
	HK$'000	*HK$'000*
Fee contribution *(Note (a))*	**8,000**	5,000
Loans from the Investor *(Note (b))*	**15,000**	8,000
Other accruals, other payables and deposits received	**6,804**	4,500
	29,804	17,500

Notes:

(a) The fee contribution was received from the Investor according to the Exclusivity Agreement, is non-interest bearing and repayable upon the following conditions: (i) on completion of the proposed restructuring, the fee contribution shall not be transferred or dealt with under any scheme of arrangement used to implement the proposed restructuring or any restructuring agreement and will remain as a debt owed by the Company to the Investor and the Company shall apply the same towards the payment of subscription money payable by the Investor for the subscription of shares of the Company (ii) in the event that the Company is wound up or upon termination of the Exclusivity Agreement, the fee contribution paid by the investor (to the extent already used or reserved for settlement of the professional fees and administrative expenses incurred) shall be regarded as unsecured debts against the Company and will rank pari passu with all the Company's existing unsecured debts and liabilities as at the date of payment of the fee contribution in all respects; and (iii) in the event that the Company is wound up or upon termination of the Exclusivity Agreement pursuant to terms of the Exclusivity Agreement, and within 7 days after the date of termination, the Provisional Liquidators shall return the unused fee contribution to the Investor. The fee contribution once paid may be used by Provisional Liquidators at their sole discretion to discharge any of the professional fees from time to time.

(b) The loans from the Investor of total HK$15,000,000 (2009: HK$8,000,000) carries an annual interest rate of 1%, is repayable on the earlier of (i) 2 July 2011 for the first loan of HK$8,000,000 (2009: HK$8,000,000) and at the date of completion of the proposed restructuring for the second loan of HK$7,000,000 (2009: nil); (ii) the date following which the completion of the proposed restructuring has failed to take place; and (iii) the date on which the Investor notifies the borrower, Global Winner, an indirect subsidiary of the Company, that it does not wish to proceed with the proposed restructuring in the event that the resumption proposal or any application for review, revision or appeal has been rejected by the Stock Exchange, and is secured by a floating charges of all assets of Global Winner.

25. Financial guarantee liabilities

The Company provides corporate guarantees for all the bank loans and certain other payables maintained by its subsidiaries which were deconsolidated from the consolidated financial statements of the Group since 1 July 2008, details of the deconsolidation have been disclosed in notes 2 and 10 to the consolidated financial statements of the Company for the year ended 31 December 2008. As such, the Company is liable to the financial guarantee liabilities of approximately HK$256,544,000 as at 31 December 2010 (2009: approximately HK$233,294,000). Liabilities of the Company are expected to be discharged under the proposed schemes of arrangement of the Company upon completion of the proposed restructuring.

26. Due to deconsolidated subsidiaries

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

27. Deferred taxation

No provision for deferred taxation has been made in the consolidated financial statements as the tax effect of temporary differences is immaterial to the Group.

28. 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.

28. Share capital (continued)

	2010	2009
	HK$'000	*HK$'000*
Authorized:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,864,780,000 ordinary shares of HK$0.10 each (2009: 1,864,780,000 ordinary shares of HK$0.10 each)	**186,478**	186,478

29. 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) 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.

(iv) 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.

30. 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.

Details of the movements of the outstanding share options granted under the Scheme during the two years ended 31 December 2009 and 2010 are summarised as follows:

Name of category	Date of grant of share options	Exercise period	Exercise price of share options	Balance as at 1/1/2009, 31/12/2009 and 1/1/2010	Exercise during the year	Lapsed during the year	Balance as at 31/12/2010
			HK$				
Directors	25/6/2007	25/6/2007 to 24/6/2017	0.694	13,100,000	–	(13,100,000)	–
Exercisable at 31 December 2010							–

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

At 31 December 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was nil (2009: 13,100,000), representing nil (2009: 0.7%) of the shares of the Company in issue at that date.

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 (2009: nil).

31. 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 31 December 2010 (2009: nil).

32. Pledge of assets

As at 31 December 2010, all the assets of the Operating Subsidiary were pledged to the Investor by way of floating change to secure the Working Capital Facility and the Additional Working Capital Facility granted by the Investor to the Operating Subsidiary.

33. Lease commitments

To the best knowledge of the Provisional Liquidators, they were not aware of any significant lease commitments of the Group as at 31 December 2010 (2009: nil).

34. Capital commitment

To the best knowledge of the Provisional Liquidators, they were not aware of any significant capital commitments of the Group as at 31 December 2010 (2009: nil).

35. Related party transaction

The remuneration of Directors and other members of key management during the year is as follows:

	2010	2009
	HK$'000	*HK$'000*
Compensation of key management personnel		
Short-term benefits	**215**	50

36. Events after the reporting period

Winding-up petition

On 1 November 2010, pursuant to a court order of the High Court, the petition was ordered to be further adjourned to 9 May 2011.

Disqualification order

On 20 January 2011, the Securities and Futures Commission has commenced proceedings in the High Court, seeking orders to disqualify Dr. Wong and Lee Chak To, a former director and chief financial officer of the Company as company directors for alleged misconducts.

37. Particulars of the subsidiaries of the Company

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	*Indirect*	
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 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 shares of US$1	100%	–	Investment holding
Sunlink Technologies Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding

37. Particulars of the 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*	
Suniview Limited	Hong Kong	10,000 ordinary shares 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 Investments (HK) Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Inactive
Smart Victory Development Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Global Winner Enterprises Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Sale of semiconductors and related products
Onetech Technology Company Limited	Hong Kong	100 ordinary shares of HK$1 each	–	76%	Development and provision of electronic turnkey device solutions business
勝沃數碼電子(深圳)有限公司	The PRC	Paid-up capital of HK$1,000,000	–	76%	Development and provision of electronic turnkey device solutions business

As mentioned in note 2 to the consolidated financial statements, the control over the subsidiaries, Sunlink Wavecom Limited and 駿泰陽軟件科技(深圳)有限公司 were lost since 30 July 2010. Therefore, the Company's subsidiaries did not include these companies.

38. Statement of financial position of the Company

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries		**–**	–
Current assets			
Due from subsidiaries		**6,483**	–
Bank and cash balances		**237**	1,760
		6,720	1,760
Current liabilities			
Accruals and other payables		**11,004**	7,503
Due to subsidiaries		**8**	–
Due to deconsolidated subsidiaries		**671**	671
Current tax liabilities		**60**	60
Financial guarantee liabilities		**256,544**	233,294
		268,287	241,528
Net current liabilities		**(261,567)**	(239,768)
NET LIABILITIES		**(261,567)**	(239,768)
Capital and reserves			
Share capital	28	**186,478**	186,478
Reserves		**(448,045)**	(426,246)
DEFICIENCY OF EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(261,567)**	(239,768)

39. Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Provisional Liquidators on 11 March 2011.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	807,690	1,314,867	857,810	33,080	**178,481**
Profit/(loss) for the year	25,336	100,630	(534,851)	(33,275)	**(19,680)**
Profit/(loss) attributable to:					
Owners of the Company	25,268	100,510	(534,898)	(33,275)	**(20,128)**
Non-controlling interests	68	120	47	–	**448**
	25,336	100,630	(534,851)	(33,275)	**(19,680)**

	As at 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	317,111	568,475	724	12,853	**37,696**
Total liabilities	(196,969)	(262,658)	(234,782)	(280,186)	**(324,843)**
	120,142	305,817	(234,058)	(267,333)	**(287,147)**
Equity/(deficiency of equity) attributable to owners of the Company	119,304	304,714	(234,058)	(267,333)	**(287,602)**
Non-controlling interests	838	1,103	–	–	**455**
	120,142	305,817	(234,058)	(267,333)	**(287,147)**