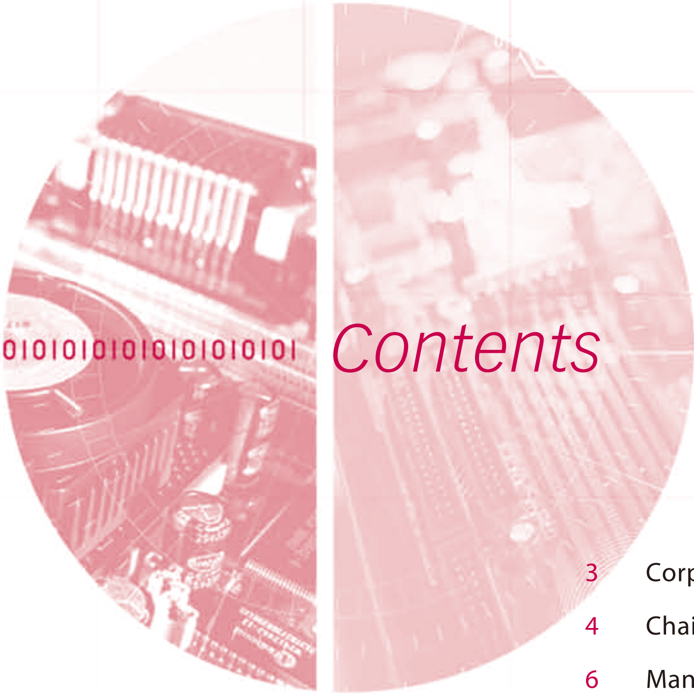
Annual Report 2011

SUNLINK INTERNATIONAL HOLDINGS LIMITED
科浪國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2336)

* *For identification purpose only*



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Abbreviations

The following abbreviations have the following meanings unless otherwise specified:

"Board"	the Board of Directors of the Company
"Company"	Sunlink International Holdings Limited
"Directors"	the directors of the Company from time to time
"Foshan Lianchuang Hualian"	佛山聯創華聯電子有限公司 (literally translated as Foshan Lianchuang Hualian Electronics Company Limited)
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Provisional Liquidators"	Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, the joint and several provisional liquidators of the Company, both of Ernst & Young Transactions Limited acting without personal liability (already discharged)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "cents"	Hong Kong dollars and cents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Suen Cho Hung, Paul *(Chairman)*
Mr. Sue Ka Lok *(Chief Executive Officer)*
Mr. Lai Ming Wai

Independent Non-executive Directors

Mr. Sun Ka Ziang, Henry
Mr. Chiang Bun
Ms. Wong Wai Yin, Viola

AUDIT COMMITTEE

Mr. Sun Ka Ziang, Henry *(Chairman)*
Mr. Chiang Bun
Ms. Wong Wai Yin, Viola

REMUNERATION COMMITTEE

Mr. Chiang Bun *(Chairman)*
Mr. Sun Ka Ziang, Henry
Ms. Wong Wai Yin, Viola

NOMINATION COMMITTEE

Ms. Wong Wai Yin, Viola *(Chairman)*
Mr. Sun Ka Ziang, Henry
Mr. Chiang Bun
Mr. Sue Ka Lok

COMPANY SECRETARY

Ms. Chan Yuk Yee

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 2336)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1502, 15th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited

AUDITORS

ANDA CPA Limited
Certified Public Accountants

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

WEBSITES

http://www.sunlinkgroup.com.hk
http://www.tricor.com.hk/webservice/02336

Chairman's Statement

After over three years of prolonged suspension, I am pleased to report to shareholders that the trading of the Company's shares on the Stock Exchange has resumed since 28 February 2012. As of 23 February 2012, various corporate restructuring exercises proposed by the Company have either become effective or successfully completed which include the capital restructuring, subscription of new shares, open offer of new shares, group reorganisation and scheme of arrangement with creditors. On 24 February 2012, the winding-up petition against the Company was dismissed and the Provisional Liquidators were discharged by the High Court of Hong Kong. I and my colleagues joined the Company's Board on 23 February 2012 as executive and independent non-executive directors and I was appointed the new Chairman of the Board on 1 March 2012.

GROUP'S RESULTS

For the year ended 31 December 2011, the Group continued to grow in terms of turnover and gross profit. The Group reported a turnover of HK$304,689,000, representing a strong increase of 71% from HK$178,481,000 in last year; and a gross profit of HK$26,706,000, which also showing a significant rise of 111% over HK$12,641,000 in the previous year. The sharp increases in the Group's turnover and gross profit were mainly attributed to the strong growth of the Group's sale of semiconductors and related products business as well as the development and provision of electronic turnkey device solutions business. Despite the increase of the Group's gross profit, the Group recorded a loss attributable to owners of the Company of HK$15,993,000, which was reduced by 21% compared to HK$20,128,000 in last year, whereas loss per share was 0.86 cent, compared to 1.08 cents in the prior year. The loss incurred by the Group was mainly attributed to the other losses of HK$24,697,000 relating to the liabilities of corporate guarantees provided by the Company for all bank loans and certain payables of its subsidiaries which had been deconsolidated from the Group's financial statements since 1 July 2008 and were transferred out of the Group on 23 February 2012 pursuant to a group reorganisation. These financial guarantee liabilities of the Company were discharged under a scheme of arrangement with the Company's creditors which has become effective on 23 February 2012, no further related liabilities will be incurred by the Company after that date.

PROSPECTS

Through the successful completion of subscription and open offer of new shares in February 2012, the capital base and the financial position of the Group have been substantially strengthened and new working capital of approximately HK$93 million has been obtained for the continuation as well as future expansion of the Group's businesses.

In view that no further financial guarantee liabilities will be incurred by the Company after the scheme of arrangement becoming effective as mentioned above, and that the Group's businesses have recorded encouraging growth during 2011 and such growth is expected to continue in 2012 supported by the new capital raised, the management is optimistic about the financial performance of the Group in 2012.

Looking ahead, the Group will continue to look for business opportunities aiming to enlarge the Group's scale of operation and increase profitability. Furthermore, the Group will also seize investment opportunities aiming to expand its business portfolio in order to capture the development and trends of the electronic components market.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all shareholders, bankers, business associates, suppliers and customers for their continuing support to the Group so as to allow the Group to regain its foothold in the industry. Further, I would like to give my special thanks to all staff members for their hard work and contributions during the past years.

Suen Cho Hung, Paul
Chairman

Hong Kong, 28 March 2012

Management Discussion and Analysis

OPERATIONS REVIEW

For the year ended 31 December 2011, the Group continued to engage in the sale of semiconductors and related products as well as development and provision of electronic turnkey device solution products.

When compared with the prior year, the turnover of the semiconductors and related products operation increased by 34% to HK$197,944,000 (2010: HK$147,506,000) which was mainly due to the expansion of customer base and the widened range of products the Group was capable to offer. The Group principally performs a supply and procurement function of semiconductors and related products for its customers mainly for applications in computer, consumer electronic and telecommunication products. In addition, the Group also sells used transmission equipment containing recyclable semiconductor components. The operation posted a segment profit of HK$7,045,000 (2010: HK$6,943,000) for the year under review, which increased by 1.5% compared to the previous year. The growth rate of the operation's segment profit was less than that of turnover was mainly because of the additional selling expenses incurred to promote business and the change of sales mix of this business segment by grouping sales of customised semiconductors and related products which carry a higher profit margin under the business segment of development and provision of electronic turnkey device solutions business in the current year.

The Group's operation of development and provision of electronic turnkey device solutions continued to perform well. The turnover and segment profit of the operation jumped by 2.4 times and 2.6 times to HK$106,745,000 (2010: HK$30,975,000) and HK$12,579,000 (2010: HK$3,477,000) respectively when compared with the same in last year. The substantial increases in the operation's turnover and segment profit were mainly attributed to the management's successful efforts in promoting sales and widening the operation's product range by extending its engineering and design services for motherboards of netbook and notebook computers to tablet computers. In addition, the Group has further expanded the scale of this operation through a capital injection in Foshan Lianchuang Hualian in June 2011, which has become a 52.38% owned subsidiary of the Group. Foshan Lianchuang Hualian is an integrated electronic turnkey device solutions and one-stop services provider of microcontrollers for home electrical appliances including air conditioners, refrigerators, microwave ovens, electric rice cookers and water heaters. Microcontrollers produced by Foshan Lianchuang Hualian are mainly used for the remote, temperature, humidity, ignition and safety control functions of home electrical appliances and these components are supplied to home electrical appliances assembling companies for production of the end products. The completion of the capital injection in Foshan Lianchuang Hualian which has become a subsidiary of the Group contributed to the increases in fixed assets, inventories, trade receivables and payables of the Group when compared to the previous financial year end.

The Group recorded a loss attributable to owners of the Company of HK$15,993,000 (2010: HK$20,128,000), representing a significant decrease of 21% when compared with last year; whereas loss per share was 0.86 cent, compared to 1.08 cents in the prior year. The loss incurred by the Group was mainly attributed to the loss on financial guarantee liabilities of HK$24,697,000 (2010: HK$23,250,000) and restructuring costs of HK$6,572,000 (2010: HK$5,021,000) incurred during the year. Nevertheless, the loss attributable to owners of the Company was partly offset by the gain on bargain purchase of HK$508,000 (2010: nil) arising from the capital injection in Foshan Lianchuang Hualian in June 2011.

The financial guarantee liabilities represented the corporate guarantees provided by the Company for all bank loans and certain payables of its subsidiaries which had been deconsolidated from the Group's financial statements since 1 July 2008 and were transferred out of the Group on 23 February 2012 pursuant to a group reorganisation. These financial guarantee liabilities of the Company were discharged under a scheme of arrangement with the Company's creditors which has become effective on 23 February 2012 and no further related liabilities will be incurred by the Company after that date. If the effect of such loss on financial guarantee liabilities, restructuring costs and gain on bargain purchase were excluded from the Group's results, the Group would have reported a profit attributable to owners of the Company of HK$14,768,000 for the year ended 31 December 2011. The encouraging operating results achieved by the Group reflects the efforts of the management in expanding the Group's customer base and business scale, widening its range of products and services as well as increasing its sales volume and profit margin.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, the Group had current assets of HK$117,617,000 (2010: HK$37,608,000) comprising bank and cash balances of HK$10,365,000 (2010: HK$1,631,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$408,951,000 (2010: HK$324,843,000) at the end of the reporting period was 29% (2010: 12%).

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. As the Group was in deficiency of equity attributable to owners of the Company of HK$303,295,000 (2010: HK$287,602,000) as at 31 December 2011, the Group's gearing ratio could not be determined (2010: could not be determined).

In February 2012, through the successful completion of subscription and open offer of new shares, the capital base and the financial position of the Group have been substantially strengthened and new working capital of approximately HK$93 million has been obtained for the continuation as well as future expansion of the Group's businesses. In addition, pursuant to a scheme of arrangement with creditors which has become effective on 23 February 2012, the financial guarantee liabilities of the Company, which amounted to HK$281,241,000 as at 31 December 2011, were discharged against cash settlement of HK$43,000,000, issuance of 40,000,000 shares of the Company at the issue price of HK$0.2 per share and the issuance of convertible bonds in the principal amount of HK$8,000,000, which are convertible into 40,000,000 shares of the Company at the initial conversion price of HK$0.2 per share. The Group's liquidity and gearing position have been substantially improved following the successful completion of the fund raising exercises and the come into effect of the scheme of arrangement with creditors.

Financial Guarantee Liabilities

The Company had provided corporate guarantees for all bank loans and certain payables of its subsidiaries which had been deconsolidated from the Group's financial statements since 1 July 2008 and were transferred out of the Group on 23 February 2012 pursuant to a group reorganisation. These financial guarantee liabilities of the Company, amounted to HK$281,241,000 as at 31 December 2011 (2010: HK$256,544,000), were discharged under a scheme of arrangement with the Company's creditors which has become effective on 23 February 2012, no further related liabilities will be incurred by the Company after that date.

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken by the Group.

Contingent Liabilities

A full search for contingent liabilities of the Group had not been conducted by the Directors. However, all claims against the Company arising on or before the appointment of Provisional Liquidators of the Company on 24 December 2008 (which now discharged) will be subject to a formal adjudication process, dealt with and compromised under the scheme of arrangement with the creditors which has become effective on 23 February 2012.

Save as disclosed above, to the best knowledge of the Directors, the Group did not have any significant contingent liabilities as at 31 December 2011 (2010: nil).

Pledge of Assets

As at 31 December 2010 and 2011, all the assets of the Company's subsidiary, Global Winner Enterprises Limited ("Global Winner") were pledged to an investor (now the controlling shareholder of the Company) by way of floating charge to secure the working capital facility and additional working capital facility granted to Global Winner. The floating charge was released on 23 February 2012.

Lease Commitments

To the best knowledge of the Directors, as at 31 December 2011, the Group had operating lease commitments in respects of rentals for its offices and factory premises of HK$8,111,000 (2010: nil).

Capital Commitments

To the best knowledge of the Directors, as at 31 December 2011, the Group had capital commitments for acquisition of machineries and equipment of HK$465,000 (2010: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had approximately 170 employees including directors (2010: 20). Total staff costs for the year, including directors' emoluments, amounted to HK$6,559,000 (2010: HK$1,495,000). During the year, the Group remunerated its employees based on their performance, experience and prevailing market rate.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Suen Cho Hung, Paul, *Chairman*

Mr. Suen, aged 51, joined the Company as an Executive Director in February 2012 and appointed the Chairman of the Board on 1 March 2012. Mr. Suen is also a director of several subsidiaries of the Group. Mr. Suen holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in managing metal, mineral and raw materials, electrical and electronic consumer products, energy and property business ventures as well as in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen becomes a controlling shareholder of the Company in February 2012 pursuant to his subscription of shares in the Company and beneficially owns approximately 70.11% of the issued share capital of the Company at present, details of which are contained in the Company's circular dated 23 December 2011. Mr. Suen is also a substantial shareholder, an executive director and chairman of Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141), a controlling shareholder, an executive director and chairman of BEP International Holdings Limited (stock code: 2326), a controlling shareholder of China Tycoon Beverage Holdings Limited (stock code: 209) and New Island Printing Holdings Limited (stock code: 377), all of which are listed companies in Hong Kong.

Mr. Sue Ka Lok, *Chief Executive Officer and member of the Nomination Committee*

Mr. Sue, aged 46, joined the Company as an Executive Director in February 2012 and appointed the Chief Executive Officer on 1 March 2012. Mr. Sue is also a director of several subsidiaries of the Group. Mr. Sue holds a Bachelor of Economics degree from the University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow member of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of CPA Australia, a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a member of the Hong Kong Securities Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director and the chief executive officer of both Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141) and BEP International Holdings Limited (stock code: 2326). Mr. Sue is also a non-executive director and the chairman of China Tycoon Beverage Holdings Limited (stock code: 209), all of which are listed companies in Hong Kong.

Mr. Lai Ming Wai

Mr. Lai, aged 53, joined the Group in June 2009 responsible for managing the daily operations of the Group's businesses and was appointed as an Executive Director of the Company in March 2012. Mr. Lai is also a director of several subsidiaries of the Group. Mr. Lai holds a Bachelor degree in Social Sciences from the University of Hong Kong. Mr. Lai was a senior executive of Bank of America and was primarily responsible for developing and managing the bank's business in southern region of the PRC. Mr. Lai has extensive experience in the banking and finance industry and has strong business network in the consumer electronics appliances sector.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Ka Ziang, Henry, *Chairman of the Audit Committee and members of the Remuneration Committee and the Nomination Committee*

Mr. Sun, aged 54, joined the Company as an Independent Non-executive Director in February 2012. Mr. Sun holds a Bachelor degree in Economics from Monash University in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Sun possesses over 20 years of experience in international finance, corporate finance, corporate planning, financial management and accounting and held executive positions at several international banks, accounting firm, the Hong Kong Airport Authority and an information technology company. Mr. Sun is an independent non-executive director of Zhongda International Holdings Limited (stock code: 909) and was an independent non-executive director of China Yunnan Tin Minerals Group Company Limited (stock code: 263) until 1 March 2012, all of which are listed companies in Hong Kong.

Mr. Chiang Bun, *Chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee*

Mr. Chiang, aged 42, joined the Company as an Independent Non-executive Director in February 2012. Mr. Chiang holds a Bachelor degree in Social Sciences from the University of Hong Kong and a LL.B. from Peking University. Mr. Chiang is also a Chartered Financial Analyst charter holder. Mr. Chiang has held senior roles in various international banks and financial institutions, primarily responsible for structured debt and/or equity financing. Mr. Chiang has extensive experience in the banking and finance industry.

Ms. Wong Wai Yin, Viola, *Chairman of the Nomination Committee and members of the Audit Committee and the Remuneration Committee*

Ms. Wong, aged 30, joined the Company as an Independent Non-executive Director in February 2012. Ms. Wong holds a Bachelor degree in Information Technology from York University in Canada. Ms. Wong is currently a project analyst and has working experience in organisational change management and project management.

SENIOR MANAGEMENT

Ms. Chan Yuk Yee, *Company Secretary*

Ms. Chan, aged 44, joined the Company as Company Secretary in February 2012. She holds a Master of Business Law degree from Monash University in Australia and is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has over 10 years of experience in company secretarial practice. Ms. Chan is also the company secretary of Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141), an executive director and the company secretary of China Tycoon Beverage Holdings Limited (stock code: 209) and an executive director of New Island Printing Holdings Limited (stock code: 377), all of which are listed companies in Hong Kong.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of semiconductors and related products business; and development and provision of electronic turnkey device solutions business (except those subsidiaries which had been transferred out of the Group on 23 February 2012 as set out in note 39 to the consolidated financial statements). The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 27.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 76. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in note 29 and note 31 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

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.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DIRECTORS

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

Executive Directors:

Mr. Suen Cho Hung, Paul	(appointed on 23 February 2012)
Mr. Sue Ka Lok	(appointed on 23 February 2012)
Mr. Lai Ming Wai	(appointed on 1 March 2012)

Independent Non-executive Directors:

Mr. Sun Ka Ziang, Henry	(appointed on 23 February 2012)
Mr. Chiang Bun	(appointed on 23 February 2012)
Ms. Wong Wai Yin, Viola	(appointed on 23 February 2012)
Mr. Tso Shiu Kei, Vincent	(resigned on 23 February 2012)
Mr. Young Meng Cheung, Andrew	(resigned on 23 February 2012)
Mr. Poon Ka Lee, Barry	(resigned on 23 February 2012)

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Suen Cho Hung, Paul, Mr. Sue Ka Lok, Mr. Lai Ming Wai, Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola will hold office until the forthcoming annual general meeting (the "AGM") and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming AGM 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' REMUNERATION

Details of the directors' remuneration are set out in note 15 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the Directors, none of the directors of the Company had a material interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

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

To the best knowledge of the Directors, as at 31 December 2011, none of the directors and the chief executive of the Company had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, an interest or a short position in the shares and underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interest which was required to be entered into the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

To the best knowledge of the Directors, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 31 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

To the best knowledge of the Directors, as at 31 December 2011, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in shares of the Company:

Name of shareholder	Nature of interest: Registered shareholder	Nature of interest: Corporate interest	Total number of ordinary shares held	Approximate percentage of the Company's issued share capital
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%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Notes:

1. Kingston Securities Limited held 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 was beneficially owned by Dr. Wong Shu Wing. Therefore, both Best Eagle International Limited and Dr. Wong Shu Wing were deemed to have the duplicate interests in the share capital of the Company under the SFO.

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

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

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

Save as disclosed above and to the best knowledge of the Directors, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2011 that was required to be recorded pursuant to section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 69% of the total sales for the year and sales to the largest customer accounted for approximately 23%. Purchases from the Group's five largest suppliers accounted for approximately 58% of the total purchases for the year and purchases from the largest supplier accounted for approximately 25%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own 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.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had entered into the following transactions, as described below and in the announcement dated 30 June 2011, with persons who were "connected persons" for the purpose of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (continued)

As disclosed in the announcement of the Company dated 30 June 2011, Foshan Lianchuang Hualian, an indirect 52.38% owned subsidiary of the Company, entered into a supply contract with 廈門華聯電子有限公司 (literally translated as Xiamen Hualian Electronics Company Limited) ("Xiamen Hualian"), which owns 47.62% equity interest in Foshan Lianchuang Hualian, pursuant to which Foshan Lianchuang Hualian agrees to purchase and Xiamen Hualian agrees to supply raw materials for production of microcontrollers for a term commencing from 24 June 2011 up to 31 December 2013 with an annual cap of RMB5,000,000 (approximately HK$6,000,000) for each of the three financial years ending 31 December 2013.

As Xiamen Hualian is a substantial shareholder of Foshan Lianchuang Hualian, Xiamen Hualian is a connected person of the Company according to the Listing Rules. Total purchases of raw materials from Xiamen Hualian from 24 June 2011 to 31 December 2011 amounted to RMB582,000 (approximately HK$699,000).

These transactions had been reviewed by the Independent Non-executive Directors of the Company, who were satisfied that the above transactions were entered into:

(i) in the ordinary and usual course of business;

(ii) on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported their conclusions to the Board that:

(i) nothing has come to auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(ii) nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iii) nothing has come to auditor's attention that causes them to believe that the transactions have exceeded the maximum aggregate annual value as disclosed in the Company's announcement dated 30 June 2011.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 37 to the consolidated financial statements.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included provident fund scheme, medical insurance, subsidised training programme, share option scheme as well as discretionary bonuses.

The determination of emoluments of the directors of the Company had taken into consideration of their respective responsibilities and contribution to the Company and by reference to market rate.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

During the year ended 31 December 2011, the Company was under the control of the Provisional Liquidators and a full board of directors was not constituted. As such, the Board is unable to comment as to whether the Company had complied with the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2011. However, after progressive adoption of procedures to ensure compliance with the CG Code since the resumption of trading in the shares of the Company, the Board is not aware of any matters that would reasonably indicate that the Company has not been in compliance with the CG Code as of the date of this report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2011 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board under the recommendation of the Audit Committee.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 38 to the consolidated financial statements.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2007 was 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 shareholders of the Company resolved to appoint ANDA CPA Limited as auditor of the Company. ANDA CPA Limited was engaged to audit the consolidated financial statements of the Group for the years ended 31 December 2008, 2009 and 2010.

The consolidated financial statements for the year ended 31 December 2011 have been audited by ANDA CPA Limited.

A resolution will be proposed at the forthcoming AGM to re-appoint ANDA CPA Limited as auditor of the Company.

On behalf of the Board

Suen Cho Hung, Paul
Chairman

Hong Kong, 28 March 2012

Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2011, the Company was under the control of the Provisional Liquidators and a full board of directors was not constituted. As such, the Board is unable to comment as to whether the Company had complied with the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2011. However, after progressive adoption of procedures to ensure compliance with the CG Code since the resumption of trading in the shares of the Company, the Board is not aware of any matters that would reasonably indicate that the Company has not been in compliance with the CG Code as of the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had not adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for the year ended 31 December 2011. However, after specific enquiries with the directors, the Board is not aware of any non-compliance with the Model Code for the year ended 31 December 2011.

Subsequent to the appointment of new directors and the discharge of the Provisional Liquidators in February 2012, the Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors of the Company.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company. The Board reviews and approves the objectives, strategies, direction and policies of the Group, the annual budget, annual and interim results, the management structure of the Company as well as other significant policy and financial matters. The Board has delegated the responsibility of day-to-day operations of the Group to the management of the Company.

As at the date of this report, the Board comprises six directors, three of which are Executive Directors, namely Mr. Suen Cho Hung, Paul ("Mr. Suen") (Chairman), Mr. Sue Ka Lok ("Mr. Sue") (Chief Executive Officer), Mr. Lai Ming Wai and three are Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 10 to 11 of this annual report.

As disclosed in that section, both Mr. Suen and Mr. Sue are executive directors of Beijing Yu Sheng Tang Pharmaceutical Group Limited of which Mr. Suen is a substantial shareholder. Both Mr. Suen and Mr. Sue are also executive directors of BEP International Holdings Limited of which Mr. Suen is a controlling shareholder. Mr. Suen is also a controlling shareholder of China Tycoon Beverage Holdings Limited of which Mr. Sue is also a non-executive director and the chairman.

During the year, four regular board meetings were held and the attendance of each director is set out as follows:

	Number of attendance
Executive Directors	
Mr. Suen Cho Hung, Paul (appointed on 23 February 2012)	0/4
Mr. Sue Ka Lok (appointed on 23 February 2012)	0/4
Mr. Lai Ming Wai (appointed on 1 March 2012)	0/4
Independent Non-executive Directors	
Mr. Tso Shiu Kei, Vincent (resigned on 23 February 2012)	4/4
Mr. Young Meng Cheung, Andrew (resigned on 23 February 2012)	4/4
Mr. Poon Ka Lee, Barry (resigned on 23 February 2012)	3/4
Mr. Sun Ka Ziang, Henry (appointed on 23 February 2012)	0/4
Mr. Chiang Bun (appointed on 23 February 2012)	0/4
Ms. Wong Wai Yin, Viola (appointed on 23 February 2012)	0/4

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As the Company was under control of the Provisional Liquidators until 24 February 2012, the Company did not have any officer with title of Chairman and Chief Executive Officer ("CEO") during the year ended 31 December 2011. However, subsequent to the appointment of new directors and the discharge of the Provisional Liquidators, on 1 March 2012, Mr. Suen Cho Hung, Paul was appointed the Chairman of the Board and Mr. Sue Ka Lok was appointed the CEO of the Company. Since then, the Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the CEO. The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

REMUNERATION COMMITTEE

No remuneration committee meeting was held during the year ended 31 December 2011.

Following the resignation of Mr. Tso Shiu Kei, Vincent, Mr. Young Meng Cheung, Andrew and Mr. Poon Ka Lee, Barry (all being members of the Remuneration Committee during the year ended 31 December 2011) on 23 February 2012, the existing members of the Remuneration Committee comprises three members, including three Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola. Mr. Chiang Bun is the chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration; determining the remuneration packages of individual executive directors and senior management and making recommendations to the Board on the remuneration of non-executive directors.

NOMINATION COMMITTEE

No nomination committee meeting was held during the year ended 31 December 2011.

Following the resignation of Mr. Tso Shiu Kei, Vincent, Mr. Young Meng Cheung, Andrew and Mr. Poon Ka Lee, Barry (all being members of the Nomination Committee during the year ended 31 December 2011) on 23 February 2012, the existing members of the Nomination Committee comprises one Executive Director, namely Mr. Sue Ka Lok and three Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola. Ms. Wong Wai Yin, Viola is the chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition, assessment of the independence of independent non-executive directors and the management of board succession.

AUDITORS AND AUDITOR'S REMUNERATION

The statement of the external auditors of the Company about their responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 24 to 26 of this annual report.

For the year ended 31 December 2011, remuneration payable to the Company's auditor, ANDA CPA Limited, for the provision of audit services was HK$460,000. During the year, HK$410,000 was paid as remuneration to ANDA CPA Limited for the provision of non-audit related services to the Group.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, including three Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola. Mr. Sun Ka Ziang, Henry is the chairman of the Audit Committee.

The Audit Committee is mainly responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditor. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group.

During the year ended 31 December 2011, one audit committee meeting was held to review with the auditor of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements of the Group for the year ended 31 December 2010 and recommended the same to the Board for approval. The individual attendance of each of the member is set out as follows:

Members	Number of attendance
Mr. Poon Ka Lee, Barry (resigned on 23 February 2012)	1/1
Mr. Tso Shiu Kei, Vincent (resigned on 23 February 2012)	1/1
Mr. Young Meng Cheung, Andrew (resigned on 23 February 2012)	1/1
Mr. Sun Ka Ziang, Henry (appointed on 23 February 2012)	0/1
Mr. Chiang Bun (appointed on 23 February 2012)	0/1
Ms. Wong Wai Yin, Viola (appointed on 23 February 2012)	0/1

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2011.

INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguard assets against unauthorised use, maintain proper accounting records for the provision of reliable financial information for internal use and for publication. The internal control system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

For the year ended 31 December 2011, the Board conducted a review of the effectiveness of the internal control system of the Group.

Independent Auditor's Report

ANDA
CPA Limited
安達會計師事務所有限公司

TO THE SHAREHOLDERS OF
SUNLINK INTERNATIONAL HOLDINGS LIMITED
科浪國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunlink International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 75, which comprise the consolidated statement of financial position as at 31 December 2011, 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.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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 (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

1. Opening balances and corresponding figures

   Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2010 (the "2010 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 11 March 2011. Accordingly, we were then unable to form an opinion as to whether the 2010 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's results and cash flows for the year then ended.

2. 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 2011 as included in the accruals, other payables and deposits received of approximately HK$52,111,000 in the consolidated statement of financial position.

3. 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 2011 as included in the current tax liabilities of approximately HK$4,313,000 in the consolidated statement of financial position.

4. 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 2011.

5. 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 2011 as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

Any adjustments to the matters as described from points 1 to 5 above might have a consequential effect on the Group's results for the two years ended 31 December 2010 and 2011, the Group's cash flows for the two years ended 31 December 2010 and 2011 and the financial positions of the Group as at 31 December 2010 and 2011, and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the results and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and 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, 28 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	7 & 10	**304,689**	178,481
Cost of sales		**(277,983)**	(165,840)
Gross profit		**26,706**	12,641
Other income	8	**1,478**	31
Selling expenses		**(2,619)**	(691)
Administrative expenses		**(12,184)**	(6,586)
Gain on deconsolidation of the subsidiaries	9	**–**	527
Other losses	11	**(24,697)**	(24,848)
Loss from operations		**(11,316)**	(18,926)
Finance cost	12	**(236)**	(114)
Loss before tax		**(11,552)**	(19,040)
Income tax expense	13	**(2,733)**	(640)
Loss for the year	14	**(14,285)**	(19,680)
Other comprehensive income/(expenses) after tax:			
Exchange differences on translating foreign operations		**541**	28
Exchange differences released from deconsolidation of the subsidiaries	9	**–**	(162)
Other comprehensive income/(expenses) for the year, net of tax		**541**	(134)
Total comprehensive expenses for the year		**(13,744)**	(19,814)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(15,993)**	(20,128)
Non-controlling interests		**1,708**	448
		(14,285)	(19,680)
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		**(15,693)**	(20,269)
Non-controlling interests		**1,949**	455
		(13,744)	(19,814)
Loss per share	18		
Basic and diluted (HK cent(s) per share)		**(0.86)**	(1.08)

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	19	**4,060**	88
Investment in an associate	20	**–**	–
		4,060	88
Current assets			
Inventories	21	**23,797**	7,450
Trade and bill receivables	22	**79,995**	25,493
Prepayments, deposits and other receivables		**3,460**	3,034
Bank and cash balances		**10,365**	1,631
		117,617	37,608
Current liabilities			
Trade payables	23	**41,488**	8,507
Accruals, other payables and deposits received	24	**52,111**	29,804
Due to deconsolidated subsidiaries	25	**27,410**	27,410
Due to a non-controlling shareholder of a subsidiary	26	**2,388**	–
Current tax liabilities		**4,313**	2,578
Financial guarantee liabilities	27	**281,241**	256,544
		408,951	324,843
Net current liabilities		**(291,334)**	(287,235)
NET LIABILITIES		**(287,274)**	(287,147)
Capital and reserves			
Share capital	29	**186,478**	186,478
Reserves	30	**(489,773)**	(474,080)
Deficiency of equity attributable to owners of the Company		**(303,295)**	(287,602)
Non-controlling interests		**16,021**	455
DEFICIENCY OF TOTAL EQUITY		**(287,274)**	(287,147)

The consolidated financial statements on pages 27 to 75 were approved and authorised for issue by the Board of Directors on 28 March 2012 and are signed on its behalf by:

Suen Cho Hung, Paul	**Sue Ka Lok**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Share option reserve	Statutory 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$'000*	*HK$'000*
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)
At 1 January 2011	186,478	15,409	(64,907)	–	–	21	(424,603)	(287,602)	455	(287,147)
Non-controlling interests in a subsidiary arose through capital injection in a subsidiary *(Note 32)*	–	–	–	–	–	–	–	–	13,617	13,617
Transfer to statutory reserve	–	–	–	–	89	–	(89)	–	–	–
Total comprehensive (expenses)/income for the year	–	–	–	–	–	300	(15,993)	(15,693)	1,949	(13,744)
At 31 December 2011	**186,478**	**15,409**	**(64,907)**	**-**	**89**	**321**	**(440,685)**	**(303,295)**	**16,021**	**(287,274)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Loss before tax		**(11,552)**	(19,040)
Adjustments for:			
Depreciation	14	**296**	7
Impairment on amounts due from the deconsolidated subsidiaries	11	**–**	1,598
Loss on financial guarantee liabilities	11	**24,697**	23,250
Loss on disposal of property, plant and equipment	14	**15**	–
Gain on deconsolidation of the subsidiaries	9	**–**	(527)
Gain on bargain purchase	32	**(508)**	–
Interest income	8	**(71)**	(1)
Finance cost	12	**236**	114
Operating cash flows before working capital changes		**13,113**	5,401
Change in inventories		**631**	(6,405)
Change in trade and bill receivables		**(30,891)**	(22,563)
Change in prepayments, deposits and other receivables		**1,204**	(3,034)
Change in trade payables		**14,073**	7,670
Change in accruals, other payables and deposits received		**4,416**	5,455
Change in amounts due to deconsolidated subsidiaries		**–**	(705)
Change in amount due to a non-controlling shareholder of a subsidiary		**(2,113)**	–
Cash generated from/(used in) operations		**433**	(14,181)
Income taxes paid		**(1,220)**	–
Net cash used in operating activities		**(787)**	(14,181)
Cash flows from investing activities			
Interest received		**71**	1
Net cash inflow arising on capital injection into a subsidiary	32	**401**	–
Proceeds from disposal of property, plant and equipment		**6**	–
Purchase of property, plant and equipment	19	**(797)**	(84)
Net cash used in investing activities		**(319)**	(83)
Cash flows from financing activities			
Loans from the Investor *(Note 1)*		**13,000**	7,000
Repayment of a bank loan		**(3,610)**	–
Net cash generated from financing activities		**9,390**	7,000
Net increase/(decrease) in cash and cash equivalents		**8,284**	(7,264)
Effect of exchange difference		**450**	28
Cash and cash equivalents at beginning of year		**1,631**	8,867
Cash and cash equivalents at end of year		**10,365**	1,631
Analysis of cash and cash equivalents			
Bank and cash balances		**10,365**	1,631
		10,365	1,631

1. GENERAL INFORMATION

Sunlink International Holdings Limited (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 address of its principal office is Suite 1502, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The Company is an investment holding company. Its subsidiaries (together with the Company, the "Group") are principally engaged in the sale of semiconductors and related products business; and development and provision of electronic turnkey device solutions business (except those subsidiaries which had been transferred out of the Group on 23 February 2012 as set out in note 39 to the consolidated financial statements). The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

In the opinion of the directors (the "Director(s)") of the Company, as at the date of this report, Grace Able Limited, which wholly owns Brilliant Capital International Limited (the "Investor" and now the "Controlling Shareholder"), which is a company incorporated in the British Virgin Islands, is the ultimate holding company.

2. BASIS OF PREPARATION

Completion of the restructuring of the Group and resumption 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 after the winding up petition against the Company was presented to the High Court of Hong Kong Special Administrative Region (the "High Court") on 1 December 2008. 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 joint and several provisional liquidators (the "Provisional Liquidators") of the Company to take control and possession of the assets of the Company.

Since then, the Provisional Liquidators had commenced the implementation of the proposed restructuring of the Company. On 11 May 2009, an exclusivity agreement was entered into amongst the Investor, Mr. Suen Cho Hung, Paul ("Mr. Suen", now the Chairman and an Executive Director of the Company), the Company and the Provisional Liquidators (the "Parties") to grant to the Investor an exclusivity to prepare and submit a resumption proposal to the Stock Exchange with the view to resume trading of the Company's shares.

2. BASIS OF PREPARATION (continued)

Completion of the restructuring of the Group and resumption of trading in the shares of the Company (continued)

After entering into the exclusivity agreement, with the assistance of the Investor, the Group had established certain special purpose vehicles to re-activate the sale of semiconductors and related products business and development and provision of electronic turnkey device solutions business. In addition, in June 2011, the Group completed a capital injection agreement pursuant to which Global Winner Enterprises Limited ("Global Winner"), a subsidiary of the Company, became interested in 52.38% of the registered capital of 佛山聯創華聯電子有限公司(literally translated as Foshan Lianchuang Hualian Electronics Company Limited) ("Foshan Lianchuang Hualian"). Through this capital injection, the Group further expanded its development and provision of electronic turnkey device solutions business.

On 30 September 2011, a formal restructuring agreement was entered into amongst the Parties to implement the proposed restructuring of the Company which included, inter alia, (i) capital restructuring; (ii) open offer; (iii) subscription of new shares; (iv) issue of creditors shares; (v) issue of creditors convertible bonds; (vi) implementation of the scheme of arrangement; and (vii) group reorganisation. On 23 February 2012, the proposed restructuring was completed. On 24 February 2012, the Provisional Liquidators were discharged and the petition for winding up of the Company was dismissed by the High Court. Upon the grant from the Stock Exchange, trading in the shares of the Company was resumed on 28 February 2012.

Going concern

The Group incurred a loss attributable to owners of the Company of approximately HK$15,993,000 for the year ended 31 December 2011 (2010: approximately HK$20,128,000) and as at 31 December 2011, the Group had net current liabilities of approximately HK$291,334,000 (2010: approximately HK$287,235,000) and net liabilities of approximately HK$287,274,000 (2010: approximately HK$287,147,000).

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the Investor, at a level sufficient to finance the working capital requirements of the Group. Upon completion of the restructuring of the Company on 23 February 2012, it is expected that the Group will be able to attain a net assets financial position. Before that date, the Investor has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

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

The consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention.

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

The significant accounting policies applied in the preparation of the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

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 or expenses for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income or expenses 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.

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.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy of impairment of assets below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

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

Investment in an associate is accounted for in the consolidated financial statements by the equity method 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 and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

c) *Translation on consolidation (continued)*

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.

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:

Machinery	9.6%
Computer & office equipment	9.6% – 20%
Motor vehicles	9.6%
Leasehold improvement	20% or over the unexpired terms of the lease, if less than 5 years

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 liabilities

Financial guarantee 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

Share-based payments

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

Employee benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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 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).

a) *Going concern basis*

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the Controlling Shareholder at a level sufficient to finance the working capital requirements of the Group. 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) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) *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.

c) *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.

d) *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 2011.

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 2011 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 and bill receivables, other receivables and cash and bank balances. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors 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 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. All financial liabilities of the Group are matured within a year.

d) Interest rate risk

At 31 December 2011, the Group did not have significant interest rate risk.

6. FINANCIAL RISK MANAGEMENT (continued)

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:

	2011	2010
	HK$'000	*HK$'000*
Sale of semiconductors and related products	**197,944**	147,506
Development and provision of electronic turnkey device solution products	**106,745**	30,975
	304,689	178,481

8. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income	**71**	1
Gain on bargain purchase *(Note 32)*	**508**	–
Sundry income	**899**	30
	1,478	31

9. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES

For the year ended 31 December 2010, the Group's control over Sunlink Wavecom Limited and 駿泰陽軟件科技(深圳)有限公司 had been lost since 30 July 2010. The results, assets and liabilities and cash flows of these subsidiaries were therefore deconsolidated from the consolidated financial statements of the Group since then.

Net 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 liabilites 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 for the purpose of resources allocation and performance assessment.

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, gain on bargain purchase, 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.

10. SEGMENT INFORMATION (continued)

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

	Sale of semiconductors and related products business		Development and provision of electronic turnkey device solutions business		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 31 December						
Revenue from external customers	**197,944**	147,506	**106,745**	30,975	**304,689**	178,481
Segment profit before finance cost and income tax expense	**7,045**	6,943	**12,579**	3,477	**19,624**	10,420
Interest income	**–**	1	**71**	–	**71**	1
Interest expense	**236**	114	**–**	–	**236**	114
Depreciation	**4**	3	**292**	4	**296**	7
Income tax expense	**1,200**	267	**1,533**	373	**2,733**	640
Capital expenditure	**4**	8	**793**	76	**797**	84
As at 31 December						
Segment assets	**21,516**	16,629	**99,858**	20,830	**121,374**	37,459
Segment liabilities	**30,635**	16,980	**47,646**	8,987	**78,281**	25,967

10. SEGMENT INFORMATION (continued)

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

	2011 HK$'000	2010 HK$'000
Profit or loss		
Total profit or loss of reportable segments	**19,624**	10,420
Unallocated amounts:		
Unallocated corporate expenses	**(6,751)**	(5,025)
Gain on deconsolidation of the subsidiaries	**–**	527
Other losses	**(24,697)**	(24,848)
Gain on bargain purchase	**508**	–
Loss from operations	**(11,316)**	(18,926)
Finance cost	**(236)**	(114)
Loss before tax	**(11,552)**	(19,040)

	2011 HK$'000	2010 HK$'000
Assets		
Total assets of reportable segments	**121,374**	37,459
Unallocated corporate assets	**303**	237
Total assets	**121,677**	37,696

	2011 HK$'000	2010 HK$'000
Liabilities		
Total liabilities of reportable segments	**78,281**	25,967
Unallocated corporate liabilities	**330,670**	298,876
Total liabilities	**408,951**	324,843

10. SEGMENT INFORMATION (continued)

Geographical information:

	Turnover		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**284,847**	178,481	**16**	15
The People's Republic of China (the "PRC") except Hong Kong	**19,842**	–	**4,044**	73
Consolidated total	**304,689**	178,481	**4,060**	88

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

Revenue from major cusomters contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
Sale of semiconductors and related products business		
Customer A	**68,974**	29,191
Customer B	**40,004**	8,076
Customer C	**36,134**	57,717
Development and provision of electronic turnkey device solutions business		
Customer D	**44,745**	32,541

11. OTHER LOSSES

	2011	2010
	HK$'000	*HK$'000*
Loss on financial guarantee liabilities *(Note 27)*	**24,697**	23,250
Impairment on amounts due from the deconsolidated subsidiaries	**–**	1,598
	24,697	24,848

12. FINANCE COST

	2011	2010
	HK$'000	*HK$'000*
Interest on loans	**236**	114

The interest expense of approximately HK$236,000 for the year ended 31 December 2011 (2010: approximately HK$114,000) was due to the loans from the Investor totalling HK$28,000,000 (2010: HK$15,000,000) which was included in the accruals, other payables and deposits received as at 31 December 2011, carrying an annual interest rate of 1%.

13. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**2,600**	634
Under-provision in prior year	**–**	6
Current tax – Corporate Income Tax of the PRC		
Provision for the year	**133**	–
	2,733	640

Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year ended 31 December 2011.

Tax charges on profits assessable elsewhere have 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.

13. INCOME TAX EXPENSE (continued)

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

	2011 HK$'000	2010 HK$'000
Loss before tax	**(11,552)**	(19,040)
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**(1,906)**	(3,142)
Tax effect of expenses that are not deductible	**4,277**	4,619
Tax effect of income that is not taxable	**(84)**	(602)
Under provision in prior year	**–**	6
Tax effect of tax loss not recognised	**401**	–
Effect of utilisation of tax loss previously not recognised	**–**	(241)
Effect of different tax rates of subsidiaries	**45**	–
	2,733	640

14. LOSS FOR THE YEAR

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

	2011 HK$'000	2010 HK$'000
Auditor's remuneration		
Current year	**460**	360
Over provision in prior years	**–**	(167)
	460	193
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**6,270**	1,430
Retirement benefits scheme contributions	**289**	65
	6,559	1,495
Acquisition-related costs (included in administrative expenses)	**382**	–
Cost of inventories sold	**272,482**	156,578
Depreciation	**296**	7
Loss on disposal of property, plant and equipment	**15**	–
Operating lease charges on land and buildings	**962**	386

14. LOSS FOR THE YEAR (continued)

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$3,685,000 (2010: nil) which are included in the amounts disclosed separately above.

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						
Tso Shiu Kei, Vincent *(Note (b))*	**60**	**–**	**–**	**–**	**–**	**60**
Young Meng Cheung, Andrew *(Note (b))*	**60**	**–**	**–**	**–**	**–**	**60**
Poon Ka Lee, Barry *(Note (b))*	**60**	**–**	**–**	**–**	**–**	**60**
Total for 2011	**180**	**–**	**–**	**–**	**–**	**180**

	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 *(Note (b))*	63	–	–	–	–	63
Young Meng Cheung, Andrew *(Note (b))*	63	–	–	–	–	63
Poon Ka Lee, Barry *(Note (b))*	63	–	–	–	–	63
Total for 2010	215	–	–	–	–	215

Notes:

(a) Resigned on 1 March 2010.

(b) Resigned on 23 February 2012.

15. DIRECTORS' AND THE FIVE HIGHEST PAID INDIVIDUALS (continued)

The five highest paid individuals in the Group during the year included nil (2010: nil) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 5 (2010: 5) individuals are set out below:

	2011 ***HK$'000***	2010 *HK$'000*
Basic salaries and allowances	**1,477**	845
Retirement benefit scheme contributions	**38**	42
	1,515	887

The emoluments fell within the following band:

	Number of individuals 2011	Number of individuals 2010
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 Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are 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 these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme are 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 2011(2010: 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$15,993,000 (2010: approximately HK$20,128,000) and the weighted average number of ordinary shares of 1,864,780,000 (2010: 1,864,780,000) in issue during the year.

Diluted loss per share

Diluted loss per share for the years ended 31 December 2011 and 2010 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

	Machinery	Computer & office equipment	Motor vehicles	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2010	–	11	–	–	11
Additions	–	84	–	–	84
At 31 December 2010 and 1 January 2011	–	95	–	–	95
Additions	95	58	532	112	797
Disposals	–	–	(30)	–	(30)
Acquired through capital injection into a subsidiary *(Note 32)*	2,593	276	223	309	3,401
Exchange differences	60	11	18	10	99
At 31 December 2011	**2,748**	**440**	**743**	**431**	**4,362**
Accumulated depreciation					
At 1 January 2010	–	–	–	–	–
Charge for the year	–	7	–	–	7
At 31 December 2010 and 1 January 2011	–	7	–	–	7
Charge for the year	178	32	17	69	296
Disposals	–	–	(9)	–	(9)
Exchange differences	5	1	–	2	8
At 31 December 2011	**183**	**40**	**8**	**71**	**302**
Carrying amount					
At 31 December 2011	**2,565**	**400**	**735**	**360**	**4,060**
At 31 December 2010	–	88	–	–	88

20. INVESTMENT IN AN ASSOCIATE

	2011	2010
	HK$'000	*HK$'000*
Share of net assets	**–**	–

Details of the Group' associate which is held indirectly by the Company as at 31 December 2011 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:

	2011	2010
	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

	2011 HK$'000	2010 HK$'000
Raw materials	8,439	–
Work in progress	2,153	–
Finished goods	13,205	7,450
	23,797	7,450

22. TRADE AND BILL RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 15 to 120 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 and bill receivables, based on the invoice date, and net of allowance, is as follows:

	2011 HK$'000	2010 HK$'000
30 days or less	23,203	15,020
31 days to 60 days	11,924	7,262
61 days to 90 days	7,696	109
91 days to 120 days	8,376	2,896
Over 120 days	28,796	206
	79,995	25,493

The balance of trade and bill receivables included an amount of approximately HK$1,861,000 (2010: nil) in relation to bill receivables as at 31 December 2011.

22. TRADE AND BILL RECEIVABLES (continued)

As at 31 December 2011, trade receivables of approximately HK$28,796,000 (2010: approximately HK$206,000) 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:

	2011 HK$'000	2010 HK$'000
Over 120 days	**28,796**	206

The carrying amounts of the Group's trade and bill receivables are denominated in the following currency:

	2011 HK$'000	2010 HK$'000
US dollars	**61,356**	25,493
Renminbi	**18,639**	–
	79,995	25,493

23. TRADE PAYABLES

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

	2011 HK$'000	2010 HK$'000
30 days or less	**10,918**	3,686
31 days to 60 days	**7,029**	3,250
61 days to 90 days	**3,522**	28
91 days to 120 days	**4,509**	–
Over 120 days	**15,510**	1,543
	41,488	8,507

The carrying amounts of the Group's trade payables are denominated in the following currency:

	2011 HK$'000	2010 HK$'000
US dollars	**32,720**	8,507
Renminbi	**8,768**	–
	41,488	8,507

24. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2011	2010
	HK$'000	*HK$'000*
Fee contribution *(Note (a))*	**11,000**	8,000
Loans from the Investor *(Note (b))*	**28,000**	15,000
Accruals, other payables and deposits received	**13,111**	6,804
	52,111	29,804

Notes:

(a) The fee contribution was received from the Investor according to the exclusivity agreement entered between the Investor, Mr. Suen, the Company and the Provisional Liquidators on 11 May 2009, it is non-interest bearing and repayable upon the following conditions:

(i) on completion of the proposed restructuring, fee contribution shall not 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 Company and the Provisional Liquidators agree that the fee contribution paid by the Investor 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, 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 the Provisional Liquidators at their sole discretion to discharge any of the professional fees from time to time.

(b) The loans from the Investor totalling HK$28,000,000 (2010: HK$15,000,000) carries an annual interest rate of 1%, is repayable on the earlier of (i) the date of the completion of the proposed restructuring of the Company; (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 charge on all assets of Global Winner.

Upon the completion of the proposed restructuring of the Company on 23 February 2012, such fee contribution and loans from the Investor have been applied towards the payment of subscription money payable by the Investor for the subscription of shares of the Company by the Investor.

25. DUE TO DECONSOLIDATED SUBSIDIARIES

The amounts due to deconsolidated subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. These liabilities have been discharged upon come into effect of the scheme of arrangement of the Company and the completion of the Group reorganisation on 23 February 2012.

26. DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due to a non-controlling shareholder of a subsidiary was arising from (i) the purchase of materials from and (ii) the interim dividend of RMB1,100,000 which was declared on 10 June 2011 and payable to the non-controlling shareholder of a subsidiary. It is unsecured, non-interest bearing and has no fixed terms of repayment.

27. FINANCIAL GUARANTEE LIABILITIES

The Company provides corporate guarantees for all the bank loans and certain 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$281,241,000 as at 31 December 2011 (2010: approximately HK$256,544,000). Liabilities of the Company have been discharged under the scheme of arrangement of the Company upon completion of the proposed restructuring on 23 February 2012.

28. 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.

29. SHARE CAPITAL

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

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

	2011 ***HK$'000***	2010 *HK$'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 (2010: 1,864,780,000 ordinary shares of HK$0.10 each)	**186,478**	186,478

Subsequent to the year ended 31 December 2011, the Company completed the capital restructuring. Details of which were disclosed in the Company's circular dated 23 December 2011 and the Company's announcement dated 24 February 2012.

30. RESERVES

a) Group

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

b) Nature and purpose of reserves of the Group

(i) Share premium

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

(ii) Special reserve

Special reserve represents the difference between the paid up capital and share premium of the then holding companies of the subsidiaries acquired as a result of the group reorganisation which was 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 set out in note 4 to the consolidated financial statements.

(v) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

31. SHARE-BASED PAYMENTS

Equity-settled share option scheme

A share option scheme (the "Scheme") was adopted at a special general meeting of the Company held on 12 February 2003 and will expire in February 2013. Under the Scheme, the Board of Directors of the Company may, at its 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 be 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.

There was no movement in the share option and no outstanding share option of the Company during the year ended 31 December 2011.

32. CAPITAL INJECTION INTO A SUBSIDIARY

On 26 March 2010, Global Winner, 廈門華聯電子有限公司 (literally translated as Xiamen Hualian Electronics Company Limited) ("Xiamen Hualian") and Foshan Lianchuang Hualian entered into a capital increase agreement (which includes the supplemental capital increase agreement and second supplemental capital increase agreement executed on 15 June 2010 and 10 September 2010 respectively, collectively as the "Capital Increase Agreement") whereby, Global Winner had conditionally agreed to subscribe for an additional registered capital of RMB11,000,000 of Foshan Lianchuang Hualian for a cash consideration of RMB12,000,000. The Capital Increase Agreement was subsequently completed on 24 June 2011 (the "Completion Date") and since then, Foshan Lianchuang Hualian has become a sino-foreign joint venture enterprise which is owned as to approximately 52.38% by Global Winner.

32. CAPITAL INJECTION INTO A SUBSIDIARY (continued)

The following summarizes the major classes of consideration transferred, fair value of identifiable assets acquired and liabilities assumed of Foshan Lianchuang Hualian at the Completion Date in relation to the capital injection:

Identifiable assets acquired and liabilities assumed:

	Fair value *HK$'000*
Property, plant and equipment	3,401
Inventories	16,978
Trade and bill receivables	23,611
Prepayments, deposits and other receivables	1,630
Bank and cash balances	14,871
Trade payables	(18,908)
Accruals, other payables and deposits received	(4,655)
Bank loan	(3,610)
Due to a non-controlling shareholder of a subsidiary	(4,501)
Current tax liabilities	(222)
Net assets	28,595
Gain on bargain purchase	(508)
Non-controlling interests	(13,617)
Total consideration satisfied by cash	14,470
Net cash inflow arising on capital injection into a subsidiary:	
Cash consideration paid	(14,470)
Bank and cash balances acquired	14,871
	401

The Group recognised a gain on bargain purchase of approximately HK$508,000 in the business combination. The gain is included in other income. The gain on bargain purchase is arising from the excess of share of the fair values of identifiable assets acquired and liabilities assumed over the consideration paid for the equity interest.

32. CAPITAL INJECTION INTO A SUBSIDIARY (continued)

Foshan Lianchuang Hualian contributed approximately HK$19,842,000 and approximately HK$295,000 to the Group's turnover and profit for the year respectively for the period between the Completion Date of the capital injection and the end of the reporting period.

If the capital injection had been completed on 1 January 2011, the Group's turnover for the year would have been approximately HK$333,827,000, and loss for the year would have been approximately HK$13,702,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the capital injection been completed on 1 January 2011, nor is intended to be a projection of future results.

33. CONTINGENT LIABILITIES

To the best knowledge of the Directors, as at 31 December 2011, the Company did not have any significant contingent liabilities (2010: nil).

34. PLEDGE OF ASSETS

As at 31 December 2011, all the assets of Global Winner were pledged to the Investor by way of floating charge to secure the working capital facility and the additional working capital facility granted by the Investor to Global Winner. The floating charge was released on 23 February 2012.

35. LEASE COMMITMENTS

The Company as lessee

To be best knowledge of the Directors, at the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Within one year	**1,299**	–
In the second to fifth years inclusive	**5,025**	–
Over five years	**1,787**	–
	8,111	–

Operating lease payments represent rentals payable by the Group for its offices and factory premises. Leases are negotiated for terms of six months to ten years and rentals are fixed over the lease terms and do not include contingent rentals.

36. CAPITAL COMMITMENT

To the best knowledge of the Directors, the Group's capital commitments at the end of the reporting period are as follows:

	2011	2010
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	**465**	–

37. RELATED PARTY TRANSACTIONS

To the best knowledge of the Directors, the related party transactions of the Group during the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Compensation of key management personnel		
– short-term benefits	**180**	215
Purchases from a non-controlling shareholder of a subsidiary	**699**	–

38. EVENTS AFTER THE REPORTING PERIOD

As at 23 February 2012, all the conditions precedent to the restructuring agreement were satisfied and the completion of the restructuring agreement took place. On 24 February 2012, the Provisional Liquidators were discharged and the petition for winding up of the Company was dismissed by the High Court. Details of the completion were disclosed in the Company's announcement dated 24 February 2012 and are summarized as follows:

(i) The capital restructuring

Completion of the capital restructuring took place on 20 January 2012. The capital restructuring included capital reduction, capital cancellation, share consolidation, share premium cancellation and increase in authorised share capital. Details of which were disclosed in the Company's circular dated 16 November 2011.

38. EVENTS AFTER THE REPORTING PERIOD (continued)

(ii) The subscription

Completion of the subscription took place on 23 February 2012. 750,000,000 subscription shares, representing approximately 70.11% of the total issued share capital of the Company as enlarged by the allotment and issue of the subscription shares, the offer shares and the creditors shares, have been allotted and issued by the Company to the Investor at the subscription price of HK$0.20 per subscription share for an aggregate amount of HK$150,000,000 under the restructuring agreement.

(iii) The open offer

Completion of the open offer took place on 23 February 2012. 186,478,000 offer shares, representing approximately 17.43% of the total issued share capital of the Company as enlarged by the allotment and issue of the subscription shares, the offer shares and the creditors shares, have been allotted and issued by the Company to the qualifying shareholders who have accepted and paid for their offer shares and/or the placees of the underwriter at the subscription price of HK$0.20 per offer share for an aggregate amount of approximately HK$37,296,000 under the open offer.

(iv) The scheme

At the Grand Court of the Cayman Islands (the "Cayman Court") hearing of the petition for the sanction of the scheme of arrangement held on 19 January 2012 (Cayman Islands time), the scheme of arrangement was sanctioned by the Cayman Court. At the High Court hearing held on 2 February 2012, the High Court also sanctioned the scheme of arrangement. As at 23 February 2012, the scheme of arrangement has already become effective.

(v) The creditors shares and the creditors convertible bonds

40,000,000 creditors shares, representing approximately 3.73% of the total issued share capital of the Company as enlarged by the allotment and issue of the subscription shares, the offer shares and the creditors shares, have been allotted and issued by the Company to the scheme administrators' nominee at the issue price of HK$0.20 per creditors share for an aggregate amount of HK$8,000,000 under the restructuring agreement.

The creditors convertible bond in the principal amount of HK$8,000,000 has been issued by the Company to the scheme administrators' nominee under the restructuring agreement.

38. EVENTS AFTER THE REPORTING PERIOD (continued)

(vi) The group reorganisation and discharge of the Provisional Liquidators

The excluded companies, including Sunlink Technologies Holdings Limited, its subsidiaries and associates, had been transferred out of the Group on 23 February 2012. Details of the excluded companies being transferred out on 23 February 2012 are disclosed in note 39 to the consolidated financial statements.

The Provisional Liquidators were discharged and the petition for winding-up of the Company was dismissed by the High Court on 24 February 2012.

(vii) Resumption of trading in the shares of the Company

Upon the grant from the Stock Exchange, trading in the shares of the Company was resumed on 28 February 2012.

39. 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 Direct	Indirect	Principal activities
Smart Victory Development Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Global Winner	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 solution products
勝沃數碼電子(深圳)有限公司	The PRC	Paid-up capital of HK$3,000,000	–	76%	Development and provision of electronic turnkey device solution products

39. 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 Direct	Indirect	Principal activities
Foshan Lianchuang Hualian	The PRC	Paid-up capital of RMB21,000,000	–	52.38%	Development and provision of electronic turnkey device solution products

The subsidiaries subsequently transferred out of the Group on 23 Feb 2012 are as follows:

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Ocean King Investment Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
J-Link Group Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Rawason Development Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Sunlink Geomatics Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Sunlink Hitech (BVI) Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding

39. 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 Direct	Indirect	Principal activities
Sunlink International Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Sunlink M2M Technologies Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Sunlink M2M Solutions Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Sunlink mSolutions Holdings Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Sunlink Technologies Holdings Limited	British Virgin Islands	700 ordinary shares of US$1 each	100%	–	Investment holding
Sunlink Technologies Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Suniview Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	51%	Inactive

39. 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 Direct	Indirect	Principal activities
Sunlink Investments (B.V.I.) Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Sunlink Group Investments (HK) Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Inactive

Foshan Lianchuang Hualian is an enterprise established in the PRC on 18 May 2007 for a period of 24 years. This company is jointly owned by Global Winner and Xiamen Hualian as to 52.38% and 47.62% respectively.

勝沃數碼電子(深圳)有限公司 is a wholly foreign-owned enterprise established in the PRC on 24 June 2010 for a period of 20 years.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Investments in subsidiaries		**–**	–
Current assets			
Due from subsidiaries		**11,088**	6,483
Bank and cash balances		**303**	237
		11,391	6,720
Current liabilities			
Accruals and other payables		**18,102**	11,004
Due to subsidiaries		**8**	8
Due to a deconsolidated subsidiary		**671**	671
Current tax liabilities		**60**	60
Financial guarantee liabilities	*27*	**281,241**	256,544
		300,082	268,287
Net current liabilities		**(288,691)**	(261,567)
NET LIABILITIES		**(288,691)**	(261,567)
Capital and reserves			
Share capital	*29*	**186,478**	186,478
Reserves		**(475,169)**	(448,045)
DEFICIENCY OF EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(288,691)**	(261,567)

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2012.

Five Year Financial Summary

	For the year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	1,314,867	857,810	33,080	178,481	**304,689**
Profit/(loss) for the year	100,630	(534,851)	(33,275)	(19,680)	**(14,285)**
Profit/(loss) attributable to:					
Owners of the Company	100,510	(534,898)	(33,275)	(20,128)	**(15,993)**
Non-controlling interests	120	47	–	448	**1,708**
	100,630	(534,851)	(33,275)	(19,680)	**(14,285)**

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	568,475	724	12,853	37,696	**121,677**
Total liabilities	(262,658)	(234,782)	(280,186)	(324,843)	**(408,951)**
	305,817	(234,058)	(267,333)	(287,147)	**(287,274)**
Equity/(deficiency of equity) attributable to owners of the Company	304,714	(234,058)	(267,333)	(287,602)	**(303,295)**
Non-controlling interests	1,103	–	–	455	**16,021**
	305,817	(234,058)	(267,333)	(287,147)	**(287,274)**