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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors (the "Board") of Sunlink International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2012 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** **_HK$'000_**	2011 *HK$'000*
Turnover	4 & 5	**334,135**	304,689
Cost of sales		**(309,885)**	(277,983)
Gross profit		**24,250**	26,706
Other income	6	**2,283**	1,478
Selling and distribution expenses		**(2,621)**	(2,619)
Administrative expenses		**(13,627)**	(12,184)
Profit from operations		**10,285**	13,381
Finance costs	7	**(619)**	(236)
Gain on debts discharged under the Scheme of Arrangement	8	**227,219**	–
Gain on group reorganisation	8	**30,589**	–
Loss on financial guarantee liabilities	15	**(3,766)**	(24,697)
Profit/(loss) before tax		**263,708**	(11,552)
Income tax expense	9	**(908)**	(2,733)
Profit/(loss) for the year	10	**262,800**	(14,285)

	Notes	**2012** **HK$'000**	2011 HK$'000
Other comprehensive (expenses)/income for the year, net of tax:			
Exchange differences on translating foreign operations		**(76)**	541
Total comprehensive income/(expenses) for the year		**262,724**	(13,744)
Profit/(loss) for the year attributable to:			
Owners of the Company		**263,149**	(15,993)
Non-controlling interests		**(349)**	1,708
		262,800	(14,285)
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		**263,106**	(15,693)
Non-controlling interests		**(382)**	1,949
		262,724	(13,744)
Earnings/(loss) per share	12		(Restated)
Basic (HK cents per share)		**28.29**	(14.97)
Diluted (HK cents per share)		**27.34**	(14.97)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**5,606**	4,060
Investment in an associate		**–**	–
		5,606	4,060
Current assets			
Inventories		**26,855**	23,797
Trade and bill receivables	13	**68,975**	79,995
Prepayments, deposits and other receivables		**1,883**	3,460
Short-term loans receivable		**12,250**	–
Current tax assets		**392**	–
Bank and cash balances		**81,918**	10,365
		192,273	117,617
Current liabilities			
Trade payables	14	**14,682**	41,488
Accruals, other payables and deposits received		**3,560**	52,111
Due to deconsolidated subsidiaries		**–**	27,410
Due to a non-controlling shareholder of a subsidiary		**2,694**	2,388
Current tax liabilities		**1,013**	4,313
Financial guarantee liabilities	15	**–**	281,241
		21,949	408,951
Net current assets/(liabilities)		**170,324**	(291,334)
Total assets less current liabilities		**175,930**	(287,274)
Non-current liabilities			
Creditors convertible bonds	16	**7,246**	–
Deferred tax liabilities		**124**	–
		7,370	–
NET ASSETS/(LIABILITIES)		**168,560**	(287,274)
Capital and reserves			
Share capital	17	**10,697**	186,478
Reserves		**144,240**	(489,773)
Equity/(deficiency of equity) attributable to owners of the Company		**154,937**	(303,295)
Non-controlling interests		**13,623**	16,021
TOTAL EQUITY/(DEFICIENCY OF TOTAL EQUITY)		**168,560**	(287,274)

Notes:

1. 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 of Hong Kong Limited (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 Brilliant Capital International Limited (the "Investor"), Mr. Suen Cho Hung, Paul (now a Non-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.

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, 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 (the "Restructuring Agreement", details of the Restructuring Agreement are set out in the circular of the Company dated 23 December 2011) 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 shares to creditors; (v) issue of creditors convertible bonds; (vi) implementation of the scheme of arrangement with creditors of the Company (the "Scheme of Arrangement", details of the Scheme of Arrangement are set out in the circular of the Company dated 23 December 2011); 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.

2. 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 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices and amounts reported for the current year and prior years.

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.

3. Significant accounting policies

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

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

4. 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 used in the preparation of the consolidated financial statements. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate expenses, gain on debts discharged under the Scheme of Arrangement/group reorganisation, loss on financial guarantee liabilities, gain on bargain purchase, finance costs and income tax expense.

Information about reportable segment profits or losses:

	Sale of semiconductors and related products business		Development and provision of electronic turnkey device solutions business		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 31 December						
Revenue from external customers	**263,661**	197,944	**70,474**	106,745	**334,135**	304,689
Segment profit before finance costs and income tax expense	**12,746**	7,045	**2,827**	12,579	**15,573**	19,624
Bank interest income	**678**	–	**79**	71	**757**	71
Interest expense	**(41)**	(236)	**–**	–	**(41)**	(236)
Depreciation	**(24)**	(4)	**(653)**	(292)	**(677)**	(296)
Income tax expense	**(737)**	(1,200)	**(256)**	(1,533)	**(993)**	(2,733)
Capital expenditure	**126**	4	**2,109**	793	**2,235**	797

Reconciliations of reportable segment profits or losses are as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**15,573**	19,624
Unallocated amounts:		
Unallocated corporate other income	**1,266**	–
Unallocated corporate expenses	**(6,554)**	(6,751)
Gain on bargain purchase	**–**	508
Profit from operations	**10,285**	13,381
Finance costs	**(619)**	(236)
Gain on debts discharged under the Scheme of Arrangement	**227,219**	–
Gain on group reorganisation	**30,589**	–
Loss on financial guarantee liabilities	**(3,766)**	(24,697)
Profit/(loss) before tax	**263,708**	(11,552)

Geographical information:

	Turnover	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**291,715**	284,847
The People's Republic of China (the "PRC") except Hong Kong	**42,420**	19,842
Total	**334,135**	304,689

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

Revenue from major customers contributing over 10% of the total turnover of the Group are as follows:

	2012	2011
	HK$'000	*HK$'000*
Sale of semiconductors and related products business		
Customer A	**49,576**	68,974
Customer B	**–**	40,004
Customer C	**64,195**	36,134
Customer E	**62,340**	–
Development and provision of electronic turnkey device solutions business		
Customer D	**–**	44,745

5. Turnover

The Group's turnover is as follows:

	2012	2011
	HK$'000	*HK$'000*
Sale of semiconductors and related products	**263,661**	197,944
Development and provision of electronic turnkey device solution products	**70,474**	106,745
	334,135	304,689

6. Other income

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**757**	71
Interest income from short-term loans receivable	**966**	–
Gain on bargain purchase	**–**	508
Sundry income	**560**	899
	2,283	1,478

7. Finance costs

	2012	2011
	HK$'000	*HK$'000*
Interest expenses on:		
Loans from the Investor under the working capital facility and the additional working capital facility	**41**	236
Creditors convertible bonds *(Note 16)*	**578**	–
	619	236

The interest expense of approximately HK$41,000 (2011: approximately HK$236,000) for the year ended 31 December 2012 was incurred for the loans from the Investor (fully settled upon completion of the Restructuring Agreement during the year ended 31 December 2012) which were previously included in the accruals, other payables and deposits received (2011: HK$28,000,000) and carrying an annual interest rate of 1%.

8. Gain on debts discharged under the Scheme of Arrangement/group reorganisation

Gain on debts discharged under the Scheme of Arrangement

On 23 February 2012, the majority of the scheme creditors approved the Scheme of Arrangement under which all indebtedness owed by the Company to the scheme creditors on the date for determination of entitlement of the scheme creditors were released, discharged and fully settled.

The Scheme of Arrangement was sanctioned by the Grand Court of the Cayman Islands (the "Grand Court") and High Court on 19 January 2012 and 2 February 2012, respectively. The total indebtedness admitted by the scheme administrators under the Scheme of Arrangement was discharged and settled in full by way of a combination of cash payment of HK$43,000,000, issuance of 40,000,000 Company's shares at the issue price of HK$0.20 per share with par value of HK$0.01 each, and the issuance of creditors convertible bonds in the aggregate principal amount of HK$8,000,000. As a result, a gain on debts discharged under the Scheme of Arrangement of approximately HK$227,219,000 (2011: nil) was recognised during the year ended 31 December 2012, being calculated as follows:

	2012
	HK$'000
Debts discharged:	
Financial guarantee liabilities	**285,007**
Current tax liabilities	**60**
Due to deconsolidated subsidiaries	**679**
Accruals, other payables and deposits received	**473**
	286,219
Satisfied by:	
Cash consideration	**(43,000)**
Issue of shares to creditors	**(8,000)**
Issue of creditors convertible bonds	**(8,000)**
	(59,000)
Gain on debts discharged under the Scheme of Arrangement	**227,219**

Gain on group reorganisation

On 23 February 2012, the Group completed the Restructuring Agreement pursuant to which Sunlink Technologies Holdings Limited (the former immediate subsidiary of the Company) together with its subsidiaries and associate were transferred out of the Group to the nominee of the administrators of the Scheme of Arrangement.

	2012
	HK$'000
Net liabilities at the date of deconsolidation were as follows:	
Accruals, other payables and deposits received	**(2,330)**
Current tax liabilities	**(1,528)**
Due to deconsolidated subsidiaries	**(26,731)**
	(30,589)
Gain on group reorganisation	**30,589**
Total consideration satisfied by cash	**–**
Net cash effect arising on group reorganisation	**–**

As a result of the group reorganisation, the special reserve included in the consolidated statement of changes in equity of approximately HK$64,907,000 was transferred to the accumulated losses of the Company.

9. Income tax expense

	2012	2011
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**891**	2,600
Over-provision in prior year	**(169)**	–
	722	2,600
Current tax – Corporate Income Tax of the PRC		
Provision for the year	**–**	133
Under-provision in prior year	**271**	–
	271	133
Deferred tax	**(85)**	–
	908	2,733

Hong Kong Profits Tax has been provided at a rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year ended 31 December 2012.

Tax charge 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.

10. Profit/(loss) for the year

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

	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration		
Current year	**488**	460
Staff costs including directors' remuneration		
Salaries, bonus and allowances	**8,761**	6,270
Retirement benefits scheme contributions	**465**	289
	9,226	6,559
Acquisition-related costs (included in administrative expenses)	**–**	382
Cost of inventories sold	**307,924**	272,482
Depreciation	**677**	296
Loss on disposal of property, plant and equipment	**–**	15
Operating lease charges on land and buildings	**2,346**	962

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK$6,118,000 (2011: HK$3,685,000) which are included in the amounts disclosed separately above.

11. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: nil).

12. Earnings/(loss) per share

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

	2012	2011
	HK$'000	*HK$'000*
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share	**263,149**	(15,993)
Finance costs saving on conversion of creditors convertible bonds outstanding	**578**	–
Deferred tax relating to creditors convertible bonds	**(85)**	–
Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share	**263,642**	(15,993)

	2012	2011
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**930,287**	106,862
Effect of dilutive potential ordinary shares arising from creditors convertible bonds outstanding	**34,098**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**964,385**	106,862

The weighted average number of ordinary shares for the years ended 31 December 2012 and 2011 for the purpose of calculating the basic earnings/(loss) per share has been adjusted and restated respectively resulting from the share consolidation and open offer of the Company (Note 17 (i) and 17(iii) respectively) during the current year.

13. 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:

	2012	2011
	HK$'000	*HK$'000*
30 days or less	**33,010**	23,203
31 days to 60 days	**10,662**	11,924
61 days to 90 days	**6,392**	7,696
91 days to 120 days	**1,598**	8,376
Over 120 days	**17,313**	28,796
	68,975	79,995

The balance of trade and bill receivables included an amount of approximately HK$873,000 (2011: HK$1,861,000) in relation to bill receivables as at 31 December 2012.

As at 31 December 2012, trade and bill receivables of approximately HK$17,313,000 (2011: HK$28,796,000) 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:

	2012	2011
	HK$'000	*HK$'000*
Over 120 days	**17,313**	28,796

14. Trade payables

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

	2012	2011
	HK$'000	*HK$'000*
30 days or less	**9,675**	10,918
31 days to 60 days	**2,372**	7,029
61 days to 90 days	**916**	3,522
91 days to 120 days	**557**	4,509
Over 120 days	**1,162**	15,510
	14,682	41,488

15. Financial guarantee liabilities

The Company provided corporate guarantees for all the bank loans and certain payables maintained by its former 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. During the year ended 31 December 2012, loss on these financial guarantee liabilities of approximately HK$3,766,000 (2011: approximately HK$24,697,000) was charged to the consolidated statement of comprehensive income. The Company was liable to the financial guarantee liabilities of approximately HK$285,007,000 immediately before completion of the Scheme of Arrangement (2011: approximately HK$281,241,000). These liabilities of the Company had been discharged under the Scheme of Arrangement of the Company which became effective on 23 February 2012.

16. Creditors convertible bonds

Upon the coming into effect of the Scheme of Arrangement on 23 February 2012, the creditors convertible bonds in the aggregate principal amount of HK$8,000,000, convertible into 40,000,000 ordinary shares of the Company at the initial conversion price of HK$0.20 per share, were issued by the Company to the nominee of the scheme administrators of the Scheme of Arrangement. The creditors convertible bonds will mature on 23 February 2014 and are interest bearing at 1% per annum.

The effective interest rate used to estimate the liability component of the creditors convertible bonds is 10.12% per annum.

No creditors convertible bonds were converted into ordinary shares during the year ended 31 December 2012.

The nominal value of creditors convertible bonds issued have been split between the liability component and equity component, as follows:

	2012 ***HK$'000***
Nominal value of creditors convertible bonds issued	8,000
Equity component	(1,264)
Liability component at the date of issue	6,736
Interest charged calculated at an effective interest rate of 10.12% per annum *(Note 7)*	578
Interest payable	(68)
Liability component at 31 December 2012	**7,246**

The carrying amount of the creditors convertible bonds approximate to their fair values.

17. 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 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.

	2012	2011
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each (2011: 3,000,000,000 ordinary shares of HK$0.10 each) *(Note (i))*	**100,000**	300,000
Issued and fully paid:		
1,069,717,000 ordinary shares of HK$0.01 each (2011: 1,864,780,000 ordinary shares of HK$0.10 each)	**10,697**	186,478

Movement of the number of shares issued and the share capital during the current year is as follows:

	Number of shares issued	**Share capital**
	'000	***HK$'000***
At 1 January 2011, 31 December 2011 and 1 January 2012	1,864,780	186,478
Capital restructuring *(Note (i))*	(1,771,541)	(185,546)
	93,239	932
Share subscription *(Note (ii))*	750,000	7,500
Open offer *(Note (iii))*	186,478	1,865
Issue of shares to creditors *(Note (iv))*	40,000	400
At 31 December 2012	**1,069,717**	**10,697**

Notes:

(i) The capital restructuring of the Company took place on 20 January 2012 which comprised the following:

Capital reduction

The capital reduction involved a reduction of the par value of each share from HK$0.10 each to HK$0.0005 each which gave rise to a credit of approximately HK$185,546,000 on the basis of 1,864,780,000 shares in issue. Such credit was permitted by the Companies Law of the Cayman Islands to set off part of the accumulated losses of the Company.

Capital cancellation

Immediately following the capital reduction, the remaining authorised but unissued share capital of the Company of 1,135,220,000 unissued shares of par value of HK$0.10 each amounting to an aggregate of HK$113,522,000 was cancelled in its entirety resulting in the authorised and issued share capital of the Company being reduced to HK$932,390, divided into 1,864,780,000 shares of par value of HK$0.0005 each.

Share consolidation

The share consolidation was implemented to consolidate every 20 issued shares of par value of HK$0.0005 each into one share of par value of HK$0.01 each. As a result, 1,864,780,000 issued shares of the Company were consolidated into 93,239,000 shares of HK$0.01 each.

Share premium cancellation

The entire amount of approximately HK$15,409,000 standing to the credit of the share premium account of the Company as at 31 December 2011 was cancelled and applied to set off part of the accumulated losses of the Company as at 31 December 2011 permitted by the Companies Law of the Cayman Islands.

Increase in authorised share capital

The authorised share capital of the Company was increased from HK$932,390 to HK$100,000,000 by the creation of 9,906,761,000 new shares of HK$0.01 each.

(ii) Share subscription

Completion of the share subscription took place on 23 February 2012 pursuant to which 750,000,000 subscription shares were issued to the Investor (now the controlling shareholder of the Company) at the subscription price of HK$0.20 per subscription share with par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by HK$7,500,000 and its share premium account was increased by HK$142,500,000. The transaction costs related to the share subscription was approximately HK$75,000.

(iii) Open offer

Completion of the open offer took place on 23 February 2012 pursuant to which 186,478,000 offer shares were issued under the open offer on the basis of two offer shares for every one share held by the qualifying shareholders after completion of the capital restructuring at the subscription price of HK$0.20 per offer share with par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK$1,865,000 and its share premium account was increased by approximately HK$35,431,000. The transaction costs related to the open offer was approximately HK$1,150,000.

(iv) Issue of shares to creditors

The Scheme of Arrangement with the Company's creditors became effective on 23 February 2012 upon the sanction by the Grand Court and the High Court held on 19 January 2012 and 2 February 2012 respectively, pursuant to which 40,000,000 Company's shares were issued to the nominee of the scheme administrators of the Scheme of Arrangement at the issue price of HK$0.20 per share with par value of HK$0.01 each. Accordingly, the Company's share capital was increased by HK$400,000 and its share premium account was increased by HK$7,600,000.

QUALIFIED INDEPENDENT AUDITOR'S REPORT

The Board would like to draw your attention to the fact that the independent auditor's report on the consolidated financial statements for the year ended 31 December 2012 has been qualified. An extract of the independent auditor's report that dealt with the qualifications is as follows:

"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 2011 (the "2011 Financial Statements"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was modified because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our audit report dated 28 March 2012. Accordingly, our audit opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the opening balances and corresponding figures.

2. Gain on group reorganisation

   As explained in note 10 to the consolidated financial statements, upon completion of the restructuring agreement on 23 February 2012, the Company recognised a gain on group reorganisation of approximately HK$30,589,000 for the year ended 31 December 2012.

   No sufficient evidence has been provided to satisfy ourselves as to the net liabilities amount of the subsidiaries and associate transferred out of the Group due to the group reorganisation. As a result, we are unable to satisfy ourselves as to the gain on group reorganisation of approximately HK$30,589,000 included in the consolidated statement of comprehensive income.

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 Company and of the Group as at 31 December 2012, 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."

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: nil).

GROUP RESTRUCTURING

The Board is pleased to report that, after years of prolonged suspension, the trading of the Company's shares on the Stock Exchange has successfully resumed since 28 February 2012. In February 2012, the Company completed a series of corporate restructuring exercises comprising capital restructuring, subscription of new shares, open offer of new shares and group reorganisation. On 23 February 2012, the Scheme of Arrangement between the Company and its creditors came into effect and on 24 February 2012, the winding-up petition against the Company was dismissed and the Provisional Liquidators of the Company were discharged by the High Court.

OPERATIONS REVIEW

For the year ended 31 December 2012, the Group reported a turnover of HK$334,135,000, representing a rise of 10% from last year (2011: HK$304,689,000), and a gross profit of HK$24,250,000, showing a decrease of 9% from the previous year (2011: HK$26,706,000). The increase in the Group's turnover was primarily attributed to the increase in sales of semiconductors and related products that outweighed the effect of the drop in sales of electronic turnkey device solution products. Nevertheless, as the sales of the Group's electronic turnkey device solution products carried a higher profit margin, the decline in sales of these products mainly caused the decline in gross profit of the Group for the year.

The revenue and segment profit of the semiconductors and related products operation increased by 33% and 81% to HK$263,661,000 (2011: HK$197,944,000) and HK$12,746,000 (2011: HK$7,045,000) respectively in the current year. The increases in revenue and segment profit of the operation were mainly due to increase in sales of used semiconductor products in the current year which carried a higher profit margin than standardised semiconductors products. 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.

Comparing with the previous year, the revenue and segment profit of the development and provision of electronic turnkey device solutions operation decreased by 34% and 78% to HK$70,474,000 (2011: HK$106,745,000) and HK$2,827,000 (2011: HK$12,579,000) respectively. The decrease in the operation's revenue was primarily attributed to the drop in sales of the operations' netbook and notebook computer motherboard products which was an indirect result of the increased popularity of tablet computers. Such drop in sales also offset the full-year revenue contributed by Foshan Lianchuang Hualian, which became a subsidiary of the Group in June 2011 and is an one-stop services provider of microcontrollers for home electrical appliances. The decrease in segment profit was the combined effects of the drop in sales of the operation's computer motherboard products and the worsened operating performance of Foshan Lianchuang Hualian that mainly resulted from the China-Japan Diaoyu Islands Dispute happened in August 2012, which caused the demand for Japanese brand name home electrical appliances in the PRC and hence sales of Foshan Lianchuang Hualian dropped considerably since September 2012.

The Group's results attributable to owners of the Company turned around from loss of HK$15,993,000 in last year to profit of HK$263,149,000 in current year; whereas basic earnings per share was HK28.29 cents, compared to the basic loss per share of HK14.97 cents (restated) in the prior year. The significant profit earned by the Group was mainly attributed to the gain on debts discharged under the Scheme of Arrangement of HK$227,219,000 (2011: nil) and the gain on group reorganisation of HK$30,589,000 (2011: nil). In addition, the Group also earned interest income of HK$966,000 (2011: nil) from short-term loans made to third parties. Nevertheless, the profit attributable to owners of the Company was partly offset by the loss on financial guarantee liabilities of HK$3,766,000 (2011: HK$24,697,000) and restructuring costs of approximately HK$5,283,000 (2011: HK$6,572,000) incurred by the Company during the current year. The Group's finance costs for the current year included interests on creditors convertible bonds of HK$578,000, yet part of that amount of approximately HK$510,000 required no cash payout but only represented an imputed interest calculated in accordance with the Group's accounting policy on financial instruments. If the effect of the gain on debts discharged under the Scheme of Arrangement, gain on group reorganisation, loss on financial guarantee liabilities, restructuring costs and imputed interests on creditors convertible bonds were excluded from the Group's results, the Group would have reported a profit attributable to owners of the Company of approximately HK$14,900,000 for the current year.

Upon the completion of a series of corporate and debt restructuring exercises of the Company in February 2012, the Group's liquidity and gearing position have been substantially improved. As at 31 December 2012, the Group had current assets of HK$192,273,000 (2011: HK$117,617,000) comprising bank and cash balances of HK$81,918,000 (2011: HK$10,365,000) and net current assets of HK$170,324,000 (2011: net current liabilities of HK$291,334,000).

Upon completion of the Restructuring Agreement, certain subsidiaries and associate were transferred out of the Group on 23 February 2012 pursuant to a group reorganisation and a gain of HK$30,589,000 (2011: nil) on such reorganisation was recorded during the year.

As at 23 February 2012, the Company's financial guarantee liabilities and certain other payables totalling approximately HK$286,219,000 were discharged under a Scheme of Arrangement with the Company's creditors by cash settlement of HK$43,000,000, issuance of 40,000,000 Company's shares at the issue price of HK$0.2 per share, and issuance of creditors convertible bonds in aggregate principal amount of HK$8,000,000 (convertible into 40,000,000 Company's shares at the initial conversion price of HK$0.2 per share). The scheme became effective on 23 February 2012 and resulted in a gain on debts discharged under the Scheme of Arrangement of HK$227,219,000 (2011: nil), no further financial guarantee liabilities was incurred by the Company after that date.

PROSPECTS

Upon the completion of the corporate and debt restructuring exercises of the Company in February 2012, the Group's financial position has been significantly improved by turning from net liabilities to net assets amounting to HK$168,560,000 as at 31 December 2012. In addition, with the successful completion of the share subscription by the Investor (now the controlling shareholder of the Company) and the open offer of new shares in February 2012, the Group has raised new working capital of approximately HK$93 million to facilitate the continuation as well as future expansion of its businesses.

Nevertheless, the Group has been managing its businesses prudently since the second quarter of 2012 mainly to weather the negative impact brought by the overall slowdown of economic growth in the PRC. Looking forward, the Group will continue to manage its businesses in a prudent manner in the financial year ahead to ensure a stable prospect for shareholders of the Company.

CORPORATE GOVERNANCE

As the Company had been under the control of the Provisional Liquidators, the Board is unable to comment as to whether the Company had complied with the Code on Corporate Governance Practices (effective until 31 March 2012) (the "Former CG Code") contained in Appendix 14 to the Listing Rules for the period from 1 January 2012 up to the discharge of the Provisional Liquidators on 24 February 2012.

Subsequent to the appointment of the new directors on 23 February 2012 and the discharge of the Provisional Liquidators, the Company has adopted the principles and complied with all the applicable provisions of the Former CG Code and the Corporate Governance Code (effective from 1 April 2012) (the "New CG Code") contained in Appendix 14 to the Listing Rules, except for the following deviations with reasons as explained:

Code provision E.1.2

Code provision E.1.2 of the New CG Code stipulates that the chairman of the board should attend the annual general meeting.

Deviation

The former Chairman of the Board, Mr. Suen Cho Hung, Paul, was unable to attend the annual general meeting of the Company held on 28 June 2012 (the "2012 AGM") as he had other important business engagement. However, Mr. Sue Ka Lok, an Executive Director and the former Chief Executive Officer of the Company (now the Chairman of the Board), had chaired the meeting in accordance with Article 63 of the Company's Articles of Association.

Code provision A.6.7

Code provision A.6.7 of the New CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Deviation

Ms. Wong Wai Yin, Viola, an Independent Non-executive Director of the Company was unable to attend the 2012 AGM as she had other important business engagement.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2012 have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

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.

By Order of the Board
Sue Ka Lok
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Sue Ka Lok (Chairman) and Mr. Lai Ming Wai (Chief Executive Officer); one Non-executive Director, namely Mr. Suen Cho Hung, Paul, and three Independent Non-executive Directors, namely Mr. Sun Ka Ziang, Henry, Mr. Chiang Bun and Ms. Wong Wai Yin, Viola.

* *For identification purpose only*