



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)

**ANNOUNCEMENT OF THE INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2007**

HIGHLIGHTS

- Group's profit increased by 2.7 times to HK\$27.4 million
- Group's turnover increased 38.3% to HK\$483.3 million
- Group's gross profit margin expanded to 13.6%

The Board of Directors (the "Board") of Sunlink International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") of the six months ended 30 June 2007, together with the comparative amounts for the corresponding period of 2006. The unaudited interim results have been reviewed by the Company's audit committee and external auditor.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	Six months ended	
		30.6.2007 HK\$'000 (unaudited)	30.6.2006 HK\$'000 (unaudited)
Revenue		483,286	349,376
Cost of sales		(417,437)	(311,536)
Gross profit		65,849	37,840
Other income	4	1,554	1,633
Selling and distribution costs		(6,538)	(4,643)
General and administrative expenses		(22,527)	(18,122)
Finance costs	5	(3,966)	(4,265)
Share of results of an associate		(5)	–
Profit before taxation	6	34,367	12,443
Income tax expenses	7	(6,964)	(2,405)
Profit for the period		27,403	10,038
Attributable to:			
Equity holders of the Company		27,354	10,010
Minority interests		49	28
		27,403	10,038
		HK cents	HK cents
Earnings per share	9		
Basic		1.7	0.8
Diluted		1.7	0.8

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
Non-current assets			
Interest in an associate		–	–
Property, plant and equipment		4,030	3,579
Available-for-sale investments		–	2,238
Club debenture		636	–
		<u>4,666</u>	<u>5,817</u>
Current assets			
Investments held for trading		143	38
Inventories		65,242	34,959
Debtors, deposits and prepayments		231,790	206,041
Amount due from an associate		273	–
Tax recoverable		–	902
Pledged bank deposits		2,000	39,656
Bank balances and cash		88,649	29,698
		<u>388,097</u>	<u>311,294</u>
Current liabilities			
Creditors and accrued charges		40,182	49,706
Bills payables		1,423	–
Taxation		11,655	5,009
Trust receipt loans		98,595	112,369
Short term borrowings – secured		7,500	28,576
Short term borrowing – unsecured		7,200	–
Bank overdrafts		–	997
		<u>166,555</u>	<u>196,657</u>
Net current assets		<u>221,542</u>	<u>114,637</u>
Total assets less current liabilities		<u>226,208</u>	<u>120,454</u>
Non-current liability			
Deferred taxation		243	312
		<u>225,965</u>	<u>120,142</u>
Capital and reserves			
Share capital		186,368	47,300
Reserves		38,713	72,004
Equity attributable to equity holders of the parent		<u>225,081</u>	<u>119,304</u>
Minority interests		884	838
		<u>225,965</u>	<u>120,142</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The Company is an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or the prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC) – INT 12	Service Concession Arrangements ³

¹ *Effective for annual periods beginning on or after 1 January 2009*

² *Effective for annual periods beginning on or after 1 March 2007*

³ *Effective for annual periods beginning on or after 1 January 2008*

3. REVENUE AND SEGMENT INFORMATION

Business segments

For management purposes, the Group was organised into two operating divisions – distribution of semiconductors and development and provision of electronic turnkey device solutions in prior period. Due to expansion of its business of the Group, the management of the Group identifies auto parts and devices business and wireless device and solutions business, which were included in development and provision of electronic turnkey device solutions in prior period, as two reportable segments in current period. The distribution of semiconductors and the remaining business in development and provision of electronic turnkey device solutions in prior period are combined into a reportable segment of semiconductors and related business.

Segment information about those businesses is presented below:

For the six months ended 30 June 2007

	Semiconductors and related business <i>HK\$'000</i>	Auto parts and devices business <i>HK\$'000</i>	Wireless device and solutions business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	<u>290,112</u>	<u>109,787</u>	<u>83,387</u>	<u>483,286</u>
Segment results	<u>10,243</u>	<u>21,290</u>	<u>5,847</u>	<u>37,380</u>
Unallocated corporate income				958
Finance costs				(3,966)
Share of results of an associate				(5)
Profit before taxation				34,367
Income tax expenses				(6,964)
Profit for the period				<u>27,403</u>

For the six months ended 30 June 2006

	Semiconductors and related business <i>HK\$'000</i>	Auto parts and devices business <i>HK\$'000</i>	Wireless device and solutions business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	<u>296,331</u>	<u>11,888</u>	<u>41,157</u>	<u>349,376</u>
Segment results	<u>11,185</u>	<u>2,095</u>	<u>2,736</u>	<u>16,016</u>
Unallocated corporate expenses				(110)
Unallocated corporate income				802
Finance costs				(4,265)
Profit before taxation				12,443
Income tax expenses				(2,405)
Profit for the period				<u>10,038</u>

Note: No inter-segment sales is noted for both years.

4. OTHER INCOME

	Six months ended	
	30.6.2007	30.6.2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other income are:		
Exchange gain, net	–	107
Gain on disposal of available-for-sale investment	422	39
Gain on disposal of a leasehold property	–	172
Increase in fair value of investments held for trading	105	7
Interest income	431	584
Rental income	–	237
	<u>–</u>	<u>237</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2007	30.6.2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	3,966	4,261
Finance lease charges	–	4
	<u>3,966</u>	<u>4,265</u>

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Depreciation and amortisation of property, plant and equipment	844	1,189
Exchange loss, net	477	–
Share based payment included in general and administrative expenses	4,500	–
	<u>4,500</u>	<u>–</u>

7. INCOME TAX EXPENSES

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current period	7,033	2,548
Deferred taxation		
Current period	(69)	(143)
	<u>6,964</u>	<u>2,405</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30.6.2006: 17.5%) of the estimated assessable profit for the period.

8. DIVIDEND

The directors have resolved not to declare any interim dividend for the six months ended 30 June 2007 (six months ended 30.6.2006: nil).

9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to equity holders of the Company	27,354	10,010
	27,354	10,010
	Six months ended	
	30.6.2007	30.6.2006
		(restated)
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	1,590,837,804	1,235,447,761
Effect of dilutive potential shares share options	5,237,593	
Weighted average number of shares for the purpose of diluted earnings per share	1,596,075,397	1,235,447,761

The computation of diluted earnings per share for the period ended 30 June 2006 does not assume the exercise of the outstanding share options as the exercise price of the Company's outstanding share option was higher than the average market price of shares for the period ended 30 June 2006.

The weighted average number of ordinary shares for the purpose of basic earnings per share in prior year has been adjusted for the bonus element in relation to open offer of new shares during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall review

For the first half of 2007, the Group recorded a significant increase of approximately 173.0% in net profit compared to the first half of 2006. The turnover and net profit of the Group for the period ended 30 June 2007 amounted to approximately HK\$483.3 million and HK\$27.4 million respectively. The notable accomplishment for the period under review was mainly attributable to the Group's continuing effort in (i) implementing business strategies to improve the profit margin for the Semiconductor & Related Business; and (ii) capturing the rising demand for the products under the Auto Parts & Devices Business and Wireless Devices & Solutions Business.

For the first half of 2007, the Group recorded a significant increase of approximately 823.5% and 102.6% in the turnover of Auto Parts & Devices Business and Wireless Devices & Solutions Business respectively compared to the same period of 2006. The turnover for Auto Parts & Devices Business is HK\$109.8 million (30.6.2006: HK\$11.9 million); that for Wireless Devices & Solutions Business is HK\$83.4 million (30.6.2006: HK\$41.2 million); that for Semiconductor & Related Business is HK\$290.1 million (30.6.2006: HK\$296.3 million). The total turnover of the Group was approximately HK\$483.3 million (30.6.2006: HK\$349.4 million), an increase of approximately 38.3% compared to the same period of 2006. Gross profit margin as a whole was approximately 13.6%, an increase of approximately 2.8%. Profit for the period of the Group was approximately HK\$27.4 million (30.6.2006: HK\$10.0 million).

Financial Resources and Liquidity

As at 30 June 2007, the Group had bank balances and cash of approximately HK\$90.6 million, (31.12.2006: HK\$69.4 million). The Group had total assets of approximately HK\$392.8 million (31.12.2006: HK\$317.1 million) which was financed by current liabilities of approximately HK\$166.6 million (31.12.2006: HK\$196.7 million), minority interests of approximately HK\$0.9 million (31.12.2006: HK\$0.8 million) and shareholders' equity of approximately HK\$225.1 million (31.12.2006: HK\$ 119.3 million). The current ratio was approximately 2.3 (31.12.2006: 1.6) and the gearing ratio of the Group was approximately 33.4% (31.12.2006: 54.2%). The gearing ratio was calculated on the total borrowings to the sum of total shareholders' equity and total borrowings of the Group.

The total facilities available to the Group from its bankers amounted to approximately HK\$220.4 million (31.12.2006: HK\$163.0 million). The management believes the Group has adequate financial resources to meet its business requirement for the coming year.

Treasury Policies

The Group generally finances its operations with internally generated resources and banking facilities provided by the banks in Hong Kong. The banking facilities are mainly trust receipt loans and invoice finance tenor up to 120 days from the invoice date. The bank interest rates are mainly fixed by reference to either in the Hong Kong Prime Rate or the Hong Kong Interbank Borrowing Rate for Hong Kong dollars loans.

Bank deposits of the Group are in Hong Kong dollars, United States dollars or Chinese Yuan.

Transactions of the Group are mainly denominated either in Hong Kong or United States dollars.

Charges on Asset

One of the Group's bank deposits was pledged to its banker to secure certain banking facilities granted to the Group.

BUSINESS REVIEW

During the period under review, the Group recorded a growth of 173.0% in net profit as a result of proper implementation of business strategies. The Group enjoyed a double-digit growth in total turnover comparing with the same period of 2006 even though the turnover of Semiconductor and Related Business remained at nearly the same level comparing with that of the same period of 2006. The turnover of Auto Parts & Devices Business and Wireless Devices & Solution Business recorded a significant growth at 823.5% and 102.6% respectively. Compounded by the high profit margin of the products of Auto Parts & Devices Business, the Group has enjoyed the best profit since it has been listed on the Hong Kong Stock Exchange Market in 2003.

Auto Parts & Devices Business

During the period under review, the Group is pleased to announce that the Auto Parts & Devices Business achieved a significant result. Its turnover increased from approximately HK\$11.8 million to approximately HK\$109.8 million, representing an increase of nearly 9.3 times from the same period of 2006.

After successful completion of trials on KENJI mCar Terminals (“Blackbox”) by world renowned security and logistic companies, it is now confirmed that our Blackbox is one of the most reliable and cost-effective AVL devices in the market. More and more small to medium size logistics companies in China have selected our KENJI Blackbox as well as our online vehicle tracking platform – VTRACK4U during the period under review. The terminal is not only helping those logistics companies to reduce its idle time by promoting more effective and efficient fleet management practice, it is also increasing the general level of vehicle safety and security. These improvements will ultimately help those logistics companies to meet the increasingly stringent requirements of the Chinese government to control on-road commercial vehicles.

Wireless Device and Solutions Business

During the period under review, the turnover of Wireless Device & Solution Business was increased from approximately HK\$41.2 million to approximately HK\$83.4 million, representing an increase of approximately 102.6% from the same period of 2006.

The increase in turnover was mainly attributable to the increase in sales of Wavecom’s GPRS modules embedded within our Group’s application software applied in different wireless application areas such as Data Terminal Units or Data Collection Terminals used in power metering industry and other utilities companies.

Semiconductor and Related Business

During the period under review, the Group managed to maintain its level of turnover and profit margin amid fierce competition in semiconductor distribution industry compared to the same period of 2006. Because of the rapid growth of Auto Parts & Devices Business as well as Wireless Devices & Solution Business, the turnover of Semiconductor & Related Business contributed to approximately 60.0% of the Group’s turnover, which dropped from nearly 84.8% in the same period of 2006. As the Auto Parts & Devices Business and Wireless Devices & Solution Business have become more and more mature, the Group expects that the synergies among the Group’s Semiconductor & Related Business and Auto Parts & Devices Business as well as Wireless Devices & Solution Business would impose greater influence on the Group’s overall profit.

PROSPECT

As mentioned before, Auto Parts & Devices Business as well as Wireless Device & Solutions become the major source of profit for the Group. The management believes the potential of the two businesses segment is enormous. They will become the major driving force behind the Group's high-growth strategies for the next few years.

The management believes that the Auto Parts & Devices Division holds the most important key to the Group's business expansion for the coming few years. The Group is focused to rapidly roll out its products and solutions for logistics industry and to promote greater vehicle safety and passenger security. Apart from the logistics companies who are obvious clients of this business division, more enterprises in public transportation as well as provincial government officials have become increasingly aware of the benefits of better logistics practice and management as a means to reduce wastage in time and other precious resources with the aid of latest information technology and devices. In order to capture these demands, the Group will strengthen its sales networks by forming partnerships and strategic alliance in different provinces in China. We will continue to listen closely to our customers' feedback and continue to strive to provide more value-added solutions to our valuable clients so as to differentiate ourselves from other market players which will eventually facilitate faster deployment of our products and solutions to our targeted geographical areas and transport markets.

For Wireless Device & Solutions Business, the Group will continue to expand its sales and marketing network to cover more provinces in China, hopefully to increase the Group's market share in the country's fast growing power metering device market. Moreover, with the formation of a company with Wavecom S.A., the Group and Wavecom will base on Wavecom's technologies to develop more and more application software for different products in different areas.

For Semiconductor & Related Business, the Management will continue the proven strategy in the past year to maintain the segment's revenue and profit margin. In addition, the management will pay special attention to boost the synergies between different segments.

The management is optimistic about the Group's outlook in the remaining period of 2007, the Group will actively explore and pursue different expansion possibilities.

EMPLOYEES

As at 30 June 2007, the Group had approximately 135 employees (30.6.2006: 132). The Group considers the experience, responsibility, workload and the time devoted by the Directors and employees of the Group to determine their respective remuneration packages. The Company has set up a remuneration committee to review and determine the terms of remuneration policy, package, bonuses and other compensation payable to the Directors and senior management on a periodical basis. In addition to basic remuneration packages and discretionary bonuses for Directors and employees, share options may also be granted to Directors and eligible employees based on the performance of individuals. These are drives and encouragement for personal performance.

PURCHASE, SALE OF 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 six months ended 30 June 2007.

EXPOSURE TO FOREIGN EXCHANGE RISK

During the period, the Group conducted its business transactions principally in Hong Kong dollars and United States dollars. The Group had not experienced any material difficulties or negative effects on its operations as a result of fluctuations in currency exchange rates. The Board believed it was not necessary to hedge the exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measure as deemed appropriate.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance.

The Directors consider that the Company has fully complied with the requirements under the CG Code for the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

AUDIT COMMITTEE

The audit committee is comprised of three independent non-executive directors who have experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

The audit committee has reviewed the unaudited interim results and condensed consolidated financial statements of the Company for the six months ended 30 June 2007 and was satisfied that such statements have complied with the applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

The interim financial result, which are prepared in accordance with HKAS 34 “Interim Financial Reporting”, have been reviewed by the Company’s independent auditors Deloitte Touche Tohmatsu in accordance with the Hong Kong Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.sunlink.biz) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) under the section “Latest Listed Company Information”. The 2007 interim report will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Sunlink International Holdings Limited
Wong Shu Wing
Director

Hong Kong, 24 September 2007

As at the date of this announcement, the Board comprises Dr. Wong Shu Wing being the chairman and executive director, Mr. Choi Tat Kai and Dr. Lau Kit Hung being the executive directors, Mr. Yeung Ming Tai, Md. Wong Lai Ying, Cecilia and Prof. Sun Hanxu being independent non-executive directors.