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 2008

HIGHLIGHTS

- Group's profit increased by approximately 2.5 times to approximately HK$94.6 million
- Group's turnover increased approximately 77.5% to approximately HK$857.8 million
- Group's gross profit margin expanded to approximately 17.4%

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 2008, together with the comparative amounts for the corresponding period of 2007. 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 2008

		Six months ended	
		30.6.2008	30.6.2007
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**857,810**	483,286
Cost of sales		**(708,599)**	(417,437)
Gross profit		**149,211**	65,849
Other income	*4*	**836**	1,554
Selling and distribution costs		**(7,729)**	(6,538)
General and administrative expenses		**(25,842)**	(22,527)
Finance costs	*5*	**(3,818)**	(3,966)
Share of results of an associate		**–**	(5)
Profit before taxation	*6*	**112,658**	34,367
Income tax expenses	*7*	**(18,032)**	(6,964)
Profit for the period		**94,626**	27,403
Attributable to:			
Equity holders of the Company		**94,579**	27,354
Minority interests		**47**	49
		94,626	27,403
		HK cents	*HK cents*
Earnings per share	*9*		
Basic		**5.07**	1.72
Diluted		**5.05**	1.71

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Non-current assets		
Property, plant and equipment	**28,614**	9,854
Interests in associates	**–**	–
Club debenture	**874**	636
Prepayment for acquisition of property, plant and equipment	**1,000**	4,653
	30,488	15,143
Current assets		
Investment held for trading	**55**	55
Inventories	**99,480**	62,750
Debtors, deposits and prepayments	**528,179**	387,914
Amounts due from associates	**3,800**	1,526
Tax recoverable	**30**	259
Pledged bank deposits	**–**	2,000
Bank balances and cash	**70,131**	98,828
	701,675	553,332
Current liabilities		
Creditors and accrued charges	**89,689**	52,903
Bills payables	**3,563**	1,591
Taxation	**37,185**	20,821
Trust receipt loans	**168,550**	155,106
Bank borrowings	**30,514**	32,058
	329,501	262,479

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Net current assets	**372,174**	290,853
Total assets less current liabilities	**402,662**	305,996
Non-current liability		
Deferred taxation	**1,618**	179
	401,044	305,817
Capital and reserves		
Share capital	**186,478**	186,468
Reserves	**213,268**	118,246
Equity attributable to equity holders of the Company	**399,746**	304,714
Minority interests	**1,298**	1,103
	401,044	305,817

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated 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 2007.

In the current interim period, the Group has applied, for the first time, new interpretations ("new Interpretations") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 1 January 2008.

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or 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.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]

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

[2] *Effective for annual periods beginning on or after 1 July 2009*

[3] *Effective for annual periods beginning on or after 1 July 2008*

[4] *Effective for annual periods beginning on or after 1 October 2008*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Business segments

For management purposes, the Group was organised into three operating divisions: (i) semiconductors and related business; (ii) auto devices and parts business; and (iii) wireless device and solutions business. These operating divisions are the basis on which the Group reports its primary segment information.

Segment information about those businesses is presented below:

For the six months ended 30 June 2008

	Semiconductors and related business	Auto devices and parts business	Wireless device and solutions business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	**330,011**	**358,385**	**169,414**	**857,810**
Segment results	**16,393**	**81,434**	**24,150**	**121,977**
Unallocated corporate income				**164**
Unallocated corporate expense				**(5,665)**
Finance costs				**(3,818)**
Profit before taxation				**112,658**
Income tax expenses				**(18,032)**
Profit for the period				**94,626**

For the six months ended 30 June 2007

	Semiconductors and related business *HK$'000*	Auto devices and parts business *HK$'000*	Wireless device and solutions business *HK$'000*	Consolidated *HK$'000*
Revenue				
External sales	290,112	109,787	83,387	483,286
Segment results	14,688	21,618	6,126	42,432
Unallocated corporate income				958
Unallocated corporate expense				(5,052)
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				27,403

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

4. OTHER INCOME

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	*HK$'000*
Included in other income are:		
Exchange gain, net	**107**	–
Gain on disposal of available-for-sale investment	**–**	422
Increase in fair value of investment held for trading	**–**	105
Interest income	**29**	431
Rental income	**28**	51
Technical service income	**163**	107

5. FINANCE COSTS

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**3,818**	3,966

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**1,680**	844
Exchange loss, net	**–**	477
Share based payment included in selling and distribution costs	**88**	–
Share based payment included in general and administrative expenses	**172**	4,500

7. INCOME TAX EXPENSES

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**13,638**	7,033
People's Republic of China (the "PRC") Enterprise Income Tax	**2,955**	–
	16,593	7,033
Deferred taxation		
Current period	**1,449**	(69)
Attributable to change in tax rate	**(10)**	–
	1,439	(69)
	18,032	6,964

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 June 2008.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDEND

The directors have resolved not to declare any interim dividend for the six months ended 30 June 2008 (six months ended 30.6.2007: nil).

9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2008	30.6.2007
	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	**94,579**	27,354

	Six months ended	
	30.6.2008	30.6.2007
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	**1,864,695,385**	1,590,837,804
Effect of dilutive potential shares share options	**9,019,306**	5,237,593
Weighted average number of shares for the purpose of diluted earnings per share	**1,873,714,691**	1,596,075,397

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall Review

In the first half of 2008, the Group recorded a significant increase in net profit of approximately 245.3% when compared with the same period last year. Turnover and net profit of the Group for the period ended 30 June 2008 amounted to approximately HK$857.8 million and HK$94.6 million respectively. The accomplishments were mainly attributable to the continuing effort of the Group in (i) capturing rising demand for products of its Auto Devices & Parts Business ("Auto Business") and Wireless Devices & Solutions Business ("Wireless Business"); and (ii) implementing strategies to improve the profit margin of Semiconductor & Related Business (the "Semicon Business").

During the review period, the turnover of Auto Business and Wireless Business (collectively known as "M2M Business") increased significantly, by approximately 226.4% and 103.2% respectively. M2M Business and Semicon Business made turnover of approximately HK$527.8 million (30.6.2007: HK$193.2 million) and HK$330.0 million (30.6.2006: HK$290.1 million) respectively. The total turnover of the Group was approximately HK$857.8 million (30.6.2007: HK$483.3 million), an increase of approximately 77.5% against the same period in 2007. Gross profit margin of the Group was approximately 17.4%, an increase of approximately 3.8%.

Selling and distribution costs increased by approximately HK$1.2 million whereas general and administrative expenses were up by approximately HK$3.3 million. The 18.2% increase in selling and distribution costs and 14.7% increase in general and administration expenses are in line with the increased sales during the review period. Additional staff were added to existing operations to support the growth in the Auto business

After deducting all the relevant operating and tax expenses, the net profit of the Group for the period ended 30 June 2008 amounted to approximately HK$94.6 million (30.6.2007: HK$27.4 million), representing an increase of approximately 245.3% as compared with that of the same period last year.

Financial Resources and Liquidity

As at 30 June 2008, the Group had bank balances and cash of approximately HK$70.1 million, (31.12.2007: HK$98.8 million). Its total assets amounted to approximately HK$732.2 million (31.12.2007: HK$568.5 million), which was financed by current liabilities of approximately HK$329.5 million (31.12.2007: HK$262.5 million), minority interest of approximately HK$1.3 million (31.12.2007: HK$1.1 million) and shareholders' equity of approximately HK$399.7 million (31.12.2007: HK$304.7 million). The current ratio of the Group was approximately 2.1 (31.12.2007: 2.1) and gearing ratio, calculated based on the total borrowings to the sum of total shareholders' equity and total borrowings of the Group was approximately 33.2% (31.12.2007: 38.1%).

The total loan facilities from banks available to the Group amounted to approximately HK$223.3 million (31.12.2007: HK$221.0 million). The management believes the Group has adequate financial resources to meet business requirements in the coming year.

Treasury Policies

The Group generally finances its operations with internally generated resources and loan facilities provided by banks in Hong Kong. The latter are mainly trust receipt loans with tenure up to 120 days from the invoice date. The interest rates of bank loans are mainly fixed by reference to either the Hong Kong Prime rate or the Hong Kong Interbank Borrowing rate for Hong Kong dollar loans.

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

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

Charges on Assets

For the period under review, the Group did not maintain any charges on assets.

Employees and Remuneration Policies

For the period under review, the Group had approximately 195 employees (31.12.2007: 153). The Group remunerates employees based on their performance and prevailing industry practices. The Company has set up a remuneration committee to review and determine the terms of remuneration policy, packages, bonuses and other compensation payable to the Directors and senior management on a periodical basic. Besides, the Board reviews from time to time the remuneration policy of the Group and the reward packages of staff members. Bonus and share options may be awarded to employees who deliver exceptional performance.

Business Review

As a result of successful execution of our strategic business strategies, the Group recorded a 77.5% growth in turnover, a strong double-digit increase as compared with the same period last year. While the Group's Semicon Business registered approximately 13.8% increase in turnover as compared to the same period of 2007, M2M Business grew significantly by approximately 173.2 %, in which the higher margin Auto Business registered a growth of approximately 226.4% and the wireless business registered a growth of approximately 103.2%. The Group delivered the best interim profit since listing on the Hong Kong Stock Exchange in 2003.

Auto Business

During the period under review, the segment achieved very encouraging results. Its turnover increased from approximately HK$109.8 million to approximately HK$358.4 million, representing a leap of nearly 2.3 times when compared with the same period in 2007. It shipped auto devices and parts totaling approximately 380,000 units, approximately 3 times more as comparing with the same period last year. Affordable lower average unit cost caused by enhanced economy of scale and new product sales for private passengers were the principal reasons behind the improved profit margin of this segment.

The Group appointed more sales representatives in different regions throughout China during the review period to enhance our existing sales channel. The total number of regional sales representatives appointed by the Group increased to 8 from 6 and the number of sales points increased to 108 from 104 during the period. Our newly appointed sales agents have effectively increased our sales and have given our end customers a higher degree of post-sales support. As a result, more and more logistic companies in China had selected our auto devices and parts during the period under review. We continued to win confidence among our end customers with our quality and reliability. We believe that our industrial grade solutions are one of the most reliable products currently available in the market. Our tracking and monitoring devices and solutions have enabled logistic companies to more effectively manage their assets through more efficient dispatch of their fleets, reducing idle time and encouraging more responsible driving behaviour. The solutions have therefore indirectly increased the general safety of road users. This is in line with the Chinese government policies promoted since the 10th 5 year plan and supported by both central and local governments, especially the Ministry of Transport of the People's Republic of China.

The other features of our auto devices and solutions have increasingly been used by fleet owners, as additional means to protect their assets and enhance the security of their fleets. The immobilization and intrusion alert features of our solutions complements current car alarm systems and can therefore be relied on to reduce the incidents of car thefts.

During the period under review, the Group secured trial contracts from the business partners of PICC Property and Casualty Co. Ltd. ("PICC") and China Mobile Limited to provide devices for deployment in vehicles insured by PICC. The deployment allows customers of the PICC to lower the cost of insuring their cars as well as improve the recovery rate of stolen vehicles. This partnership marked our entry into the private passenger car market leveraged on the strong customer base of our business partners.

During the period under review, the Group continued to develop solutions for different modes of transports and vehicles. The Group successfully developed customized solutions for leisure boats for our Australian customer, Vision Trak Pty Ltd, in 2007 and during the period under review, have again successfully adapted our solutions and developed customized solutions for emergency vehicles such as ambulance in Hong Kong and hazardous chemical carrying vehicles such as oil and gas transportation trucks for a major oil and gas company in China.

We believe each of our customized solutions represents new business opportunity for us as well as our asset management service provisioning ("AMS") customers.

Wireless Business

During the period under review, the turnover of Wireless Business increased to approximately HK$169.4 million from approximately HK$83.4 million in the corresponding period last year, representing an increase of approximately 103.2%.

The increase in turnover was attributable to the increased sales of wireless and related modules. During the period, the Group successfully developed and marketed solutions for new vertical markets in rail track conditions monitoring, environment monitoring and personal safety trackers. We continued to explore and develop commercially viable applications and solutions. For the utility sector, the Group has successfully developed wireless automatic solutions such as Data Terminal Units used in power metering industry.

Semicon Business

During the period under review, the Group could still managed to maintain its level of turnover and profit margin amid fierce competition in semiconductor distribution industry by comparing with the same period of 2007. With the advent of M2M Business, the turnover of Semicon Business accounted for a less significant portion of the total turnover of the Group for the period at approximately 38.5%, versus 60.0% in the same period last year. The Group regularly reviews its strategy in Semicon Business and will increase the leverage afforded by M2M Business to distribute more semiconductor components used in M2M products so as to attain economy of scale and lower our overall purchasing price and other trading terms of our raw materials purchases. Going forward, the Group expects to see more synergies between Semicon Business and M2M Business which will ultimately increase overall profitability.

Investor Relations

Unlike the traditional form of business operations represented in the stock markets, the Group understands that its business nature is not easily understood by the investment community in Asia. Hence, the Group has been proactive in communicating and explaining its business model and the potential of industrial and M2M wireless communication market to investors.

The Group continued to step up investor relations efforts during the period under review. It puts in place various means of communication to effectively relay its management philosophy, operations and future investment and development strategies to existing shareholders and the investment community.

During the period under review, representatives from the Group had meetings with investors and relevant parties with total attendance reaching 124.

In the first six months of 2008, the Group had participated in corporate briefings to financial institutions organized by various international securities houses, including CLSA Limited, Daiwa Securities SMBC Hong Kong Limited and Mega Capital (Asia) Co. Ltd. in Hong Kong, Japan and Mainland China.

The Board believes that by upholding a disciplined approach in communicating with the investment community, the Group will be able to enhance its image as an effective and responsible business and achieve better shareholder value.

Prospect

As expected, M2M Business has become the major source of profit for the Group. The management sees apparent potential for the two constituent businesses under M2M Business to become major turnover and profit growth drivers of the Group in the next few years.

According to industry forecast, M2M connections will expand approximately globally at a CAGR of 30% in five years between 2006 and 2011 from approximately 17.0 million units to approximately 61.9 million units, driven by cheaper data plans of mobile carriers, more economical and hence affordable devices and greater awareness of the benefits of deploying M2M technologies. The demand for global M2M application is expected to be the strongest in industrial wireless and automotive segments. The demand for devices used for automotive applications is expected to grow to approximately 42.5 million units a year in 2011 from approximately 6.2 million units in 2006.

The deployment of M2M applications in China will be driven by both government and commercial organizations. According to independent industrial wireless research reports, China has deployed M2M communications for local environment monitoring including safety at coal mines, meter reading at power grids and to aid implementation of intelligent transport systems. The business also stands well to benefit from the expansion of mobile communication networks in China.

For M2M Business, the Group has invested in building a distribution network in the past five years, in addition to developing highly reliable integrated products to enhance competitiveness of the business. The Group sells M2M applications mainly to customers in China for commercial and industrial applications. These customers are less sensitive to cost difference and put more weight on quality offers and assurance. To them, cost concern is secondary to safeguarding safety of human lives, efficient power distribution and asset tracking, and environmental monitoring etc. The management believes the Group has early mover advantage in China and is optimistic about the outlook of the different business segments in the rest of 2008. The Group will continue to actively explore and pursue different expansion possibilities.

For Semicon Business, the management will continue the proven strategy in the past year, aiming to maintain the revenue and profit margin of the segment. In additions, the management will pay special attention to boost the synergies among different business segments.

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 2008.

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 that it was not necessary to hedge the exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures 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 2008.

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 2008.

AUDIT COMMITTEE

The Audit Committee comprises 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 2008 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 results, 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 website of the Company (www.sunlink.biz) and HKExnews of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2008 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
Chairman

Hong Kong, 18 September 2008

As at the date of this announcement, the Board of Directors of the Company comprises Dr. Wong Shu Wing, Chairman, Mr. Choi Tat Kai, Mr. Han Yang and Mr. Liu Shun Keung as the Executive Directors and Mr. Yeung Ming Tai, Professor Sun Hanxu and Mr. Chan Kwok Ming Daniel as the Independent Non-executive Directors.