**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)**

# INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Board of Directors (the "Board") of Sunlink International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012 together with comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2012*

| | | **Six months ended** | |
|---|---|---|---|
| | | **30 June 2012** | 30 June 2011 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) (Restated) |
| **Turnover** | 3&4 | **140,301** | 146,176 |
| Cost of sales | | **(129,269)** | (133,897) |
| Gross profit | | **11,032** | 12,279 |
| Other income | 5 | **541** | 704 |
| Selling and distribution expenses | | **(934)** | (556) |
| Administrative expenses | | **(9,117)** | (7,047) |
| **Profit from operations** | | **1,522** | 5,380 |
| Finance costs | 6 | **(272)** | (95) |
| Gain on debts discharged under the scheme of arrangement | 7 | **227,219** | – |
| Gain on group reorganisation | 7 | **30,589** | – |
| Loss on financial guarantee liabilities | 14 | **(3,766)** | (12,036) |

| | Notes | Six months ended 30 June 2012 HK$'000 (Unaudited) | 30 June 2011 HK$'000 (Unaudited) (Restated) |
|---|---|---|---|
| **Profit/(loss) before tax** | 8 | **255,292** | (6,751) |
| Income tax expense | 9 | **(245)** | (1,128) |
| **Profit/(loss) for the period** | | **255,047** | (7,879) |
| **Other comprehensive (expenses)/income for the period, net of tax** | | | |
| Exchange differences on translating foreign operations | | **(255)** | 140 |
| **Total comprehensive income/(expenses) for the period** | | **254,792** | (7,739) |
| **Profit/(loss) for the period attributable to:** | | | |
| Owners of the Company | | **255,223** | (8,583) |
| Non-controlling interests | | **(176)** | 704 |
| | | **255,047** | (7,879) |
| **Total comprehensive income/(expenses) for the period attributable to:** | | | |
| Owners of the Company | | **255,084** | (8,457) |
| Non-controlling interests | | **(292)** | 718 |
| | | **254,792** | (7,739) |
| **Earnings/(loss) per share** | 11 | | |
| Basic (HK cents per share) | | **32.33** | (8.03) |
| Diluted (HK cents per share) | | **31.25** | (8.03) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2012*

| | Notes | **As at 30 June 2012** ***HK$'000*** **(Unaudited)** | As at 31 December 2011 *HK$'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **5,800** | 4,060 |
| | | **5,800** | 4,060 |
| **Current assets** | | | |
| Inventories | | **23,929** | 23,797 |
| Trade and bill receivables | 12 | **91,574** | 79,995 |
| Prepayments, deposits and other receivables | | **2,310** | 3,460 |
| Bank and cash balances | | **93,566** | 10,365 |
| | | **211,379** | 117,617 |
| **Current liabilities** | | | |
| Trade payables | 13 | **38,931** | 41,488 |
| Accruals, other payables and deposits received | | **3,572** | 52,111 |
| Due to deconsolidated subsidiaries | | **–** | 27,410 |
| Due to a non-controlling shareholder of a subsidiary | | **2,940** | 2,388 |
| Current tax liabilities | | **1,977** | 4,313 |
| Financial guarantee liabilities | 14 | **–** | 281,241 |
| | | **47,420** | 408,951 |
| **Net current assets/(liabilities)** | | **163,959** | (291,334) |
| **Total assets less current liabilities** | | **169,759** | (287,274) |
| **Non-current liabilities** | | | |
| Creditors convertible bonds | 15 | **6,940** | – |
| Deferred tax liabilities | | **175** | – |
| | | **7,115** | – |
| **NET ASSETS/(LIABILITIES)** | | **162,644** | (287,274) |
| **Capital and reserves** | | | |
| Share capital | 16 | **10,697** | 186,478 |
| Reserves | | **136,218** | (489,773) |
| Equity/(deficiency of equity) attributable to owners of the Company | | **146,915** | (303,295) |
| Non-controlling interests | | **15,729** | 16,021 |
| **TOTAL EQUITY/(DEFICIENCY OF TOTAL EQUITY)** | | **162,644** | (287,274) |

*Notes:*

1. **Basis of preparation**

   The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

   The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

   The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis and are presented in Hong Kong dollars ("HK$") which is the functional currency of the Company.

2. **Adoption of new and revised Hong Kong Financial Reporting Standards**

   In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by 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 policies, presentation of the Group's financial statements and amounts reported for the current period 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. **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 adopted in the consolidated financial statements of the Company for the year ended 31 December 2011. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate expenses, gain on bargain purchase, finance costs, gain on debts discharged under the scheme of arrangement, gain on group reorganisation, loss on financial guarantee liabilities and income tax expense.

Information about reportable segment profit or loss:

| | **Sale of semiconductors and related products business Six months ended** | | **Development and provision of electronic turnkey device solutions business Six months ended** | | **Total Six months ended** | |
|---|---|---|---|---|---|---|
| | **30 June 2012** | 30 June 2011 | **30 June 2012** | 30 June 2011 | **30 June 2012** | 30 June 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Revenue from external customers | **92,029** | 100,112 | **48,272** | 46,064 | **140,301** | 146,176 |
| Segment profit before finance costs and income tax expense | **4,584** | 3,352 | **2,506** | 6,831 | **7,090** | 10,183 |
| Depreciation | **9** | 2 | **315** | 7 | **324** | 9 |
| Capital expenditure | **110** | – | **2,001** | – | **2,111** | – |

Reconciliation of reportable segment profit or loss is as follows:

| | Six months ended 30 June 2012 HK$'000 (Unaudited) | 30 June 2011 HK$'000 (Unaudited) |
|---|---|---|
| **Profit or loss** | | |
| Total profit or loss of reportable segments | **7,090** | 10,183 |
| Unallocated amounts: | | |
| Unallocated corporate expenses | **(5,568)** | (5,499) |
| Gain on bargain purchase | **–** | 696 |
| Profit from operations | **1,522** | 5,380 |
| Finance costs | **(272)** | (95) |
| Gain on debts discharged under the scheme of arrangement *(Note 7)* | **227,219** | – |
| Gain on group reorganisation *(Note 7)* | **30,589** | – |
| Loss on financial guarantee liabilities *(Note 14)* | **(3,766)** | (12,036) |
| Profit/(loss) before tax | **255,292** | (6,751) |

## 4. Turnover

| | Six months ended 30 June 2012 HK$'000 (Unaudited) | 30 June 2011 HK$'000 (Unaudited) |
|---|---|---|
| The Group's turnover is as follows: | | |
| Sale of semiconductors and related products | **92,029** | 100,112 |
| Development and provision of electronic turnkey device solution products | **48,272** | 46,064 |
| | **140,301** | 146,176 |

## 5. Other income

| | Six months ended | |
|---|---|---|
| | **30 June** | 30 June |
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| The Group's other income is as follows: | | |
| Interest income | **401** | 1 |
| Sundry income | **140** | 7 |
| Gain on bargain purchase | **–** | 696 |
| | **541** | 704 |

## 6. Finance costs

| | Six months ended | |
|---|---|---|
| | **30 June** | 30 June |
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest expenses on: | | |
| Loans from the investor under the working capital facility and the additional working capital facility | **40** | 95 |
| Creditors convertible bonds *(Note 15)* | **232** | – |
| | **272** | 95 |

## 7. Gain on debts discharged under the scheme of arrangement/group reorganisation

As of 23 February 2012, upon coming into effect of the scheme of arrangement with creditors and the completion of the restructuring agreement, the Group recorded a gain of approximately HK$227,219,000 (six months ended 30 June 2011: nil) and approximately HK$30,589,000 (six months ended 30 June 2011: nil) for the six months ended 30 June 2012 from the debts discharged under the scheme of arrangement and the group reorganisation respectively. Sunlink Technologies Holdings Limited (the former immediate subsidiary of the Company), its subsidiaries and associate had been transferred out of the Group to the nominee of the scheme administrators of the aforesaid scheme of arrangement. Accordingly, special reserve of approximately HK$64,907,000 was transferred to the accumulated losses of the Company.

## 8. Profit/(loss) before tax

The Group's profit/(loss) before tax for the period is arrived at after charging:

| | Six months ended | |
|---|---|---|
| | **30 June** | 30 June |
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Staff costs including directors' emoluments | | |
| Salaries, bonus and allowances | **1,938** | 840 |
| Retirement benefits scheme contributions | **286** | 43 |
| | **2,224** | 883 |
| Cost of inventories sold | **126,508** | 130,943 |
| Depreciation of property, plant and equipment | **324** | 9 |
| Operating lease charges on land and buildings | **1,076** | 177 |

## 9. Income tax expense

| | Six months ended | |
|---|---|---|
| | **30 June** | 30 June |
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax – Hong Kong Profits Tax provided for the period | **230** | 1,128 |
| Current tax – Corporate Income Tax of the People's Republic of China (the "PRC") provided for the period | **49** | – |
| Deferred tax | **(34)** | – |
| | **245** | 1,128 |

Hong Kong Profits Tax has been provided at a rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profit for the six months ended 30 June 2012.

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

## 10. Dividends

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

## 11. Earnings/(loss) per share

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

| | Six months ended | |
|---|---|---|
| | **30 June** | 30 June |
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Earnings/(loss)** | | |
| Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share | **255,223** | (8,583) |
| Finance costs saving on conversion of creditors convertible bonds outstanding | **232** | – |
| Deferred tax relating to creditors convertible bonds | **(34)** | – |
| Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share | **255,421** | (8,583) |

| | Six months ended | |
|---|---|---|
| | **30 June** | 30 June |
| | **2012** | 2011 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share | **789,325,057** | 106,861,648 |
| Effect of dilutive potential ordinary shares arising from creditors convertible bonds outstanding | **28,131,868** | – |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share | **817,456,925** | 106,861,648 |

The weighted average number of ordinary shares for the period ended 30 June 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 16) during the current period.

## 12. 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:

| | **As at 30 June 2012** *HK$'000* **(Unaudited)** | As at 31 December 2011 *HK$'000* (Audited) |
|---|---|---|
| 30 days or less | **23,314** | 23,203 |
| 31 days to 60 days | **25,782** | 11,924 |
| 61 days to 90 days | **7,025** | 7,696 |
| 91 days to 120 days | **6,190** | 8,376 |
| Over 120 days | **29,263** | 28,796 |
| | **91,574** | 79,995 |

The balance of trade and bill receivables included an amount of approximately HK$2,274,000 (31 December 2011: approximately HK$1,861,000) in relation to bill receivables as at 30 June 2012.

## 13. Trade payables

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

| | **As at 30 June 2012** *HK$'000* **(Unaudited)** | As at 31 December 2011 *HK$'000* (Audited) |
|---|---|---|
| 30 days or less | **15,601** | 10,918 |
| 31 days to 60 days | **9,865** | 7,029 |
| 61 days to 90 days | **2,981** | 3,522 |
| 91 days to 120 days | **2,375** | 4,509 |
| Over 120 days | **8,109** | 15,510 |
| | **38,931** | 41,488 |

**14. Financial guarantee liabilities**

The Company provided corporate guarantees for all the bank loans and certain payables maintained by its subsidiaries which had been deconsolidated from the consolidated financial statements of the Group since 1 July 2008, details of the deconsolidation were disclosed in notes 2 and 10 to the consolidated financial statements of the Company for the year ended 31 December 2008. During the six months ended 30 June 2012, loss on these financial guarantee liabilities of approximately HK$3,766,000 (six months ended 30 June 2011: approximately HK$12,036,000) was charged to the condensed consolidated statement of comprehensive income. As at 30 June 2012, the Company was no longer liable to these financial guarantee liabilities (31 December 2011: approximately HK$281,241,000) since the related debts and liabilities of the Company had been discharged under the scheme of arrangement of the Company which became effective on 23 February 2012.

**15. Creditors convertible bonds**

Upon coming into effect of the scheme of arrangement, the creditors convertible bonds in the 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 aforesaid scheme of arrangement. The creditors convertible bonds will mature on 23 February 2014 and are interest-bearing at 1% per annum.

As at 30 June 2012, the liability component of creditors convertible bonds was carried at fair value of HK$6,940,000 (31 December 2011: nil), which was estimated at the issuance date using an equivalent market interest rate for similar bonds without conversion options. The residual amount is assigned as the equity component and is included in shareholders' equity.

The effective interest rate used to estimate the liability component is 10.12%.

No creditors convertible bonds were converted into ordinary shares during the six months ended 30 June 2012.

**16. Share capital**

| | **As at 30 June 2012** *HK$'000* **(Unaudited)** | As at 31 December 2011 *HK$'000* (Audited) |
|---|---|---|
| Authorised: | | |
| 10,000,000,000 ordinary shares of HK$0.01 each (31 December 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 (31 December 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 period is as follows:

| | Number of shares issued | Share Capital |
|---|---|---|
| | | *HK$'000* |
| As at 1 January 2012 | 1,864,780,000 | 186,478 |
| Capital restructuring *(Note (i))* | (1,771,541,000) | (185,546) |
| | 93,239,000 | 932 |
| Share subscription *(Note (ii))* | 750,000,000 | 7,500 |
| Open offer *(Note (iii))* | 186,478,000 | 1,865 |
| Issue of creditors shares *(Note (iv))* | 40,000,000 | 400 |
| **As at 30 June 2012** | **1,069,717,000** | **10,697** |

*Notes:*

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

*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 Brilliant Capital International Limited (now the controlling shareholder of the Company) at the subscription price of HK$0.20 per subscription share with the 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 the 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 creditors shares

The scheme of arrangement with the Company's creditors became effective on 23 February 2012 upon the sanction by the Grand Court of the Cayman Islands and the High Court of Hong Kong held on 19 January 2012 and 2 February 2012 respectively, pursuant to which 40,000,000 creditors shares were issued to the nominee of the scheme administrators of the aforesaid scheme of arrangement at the issue price of HK$0.20 per creditors share with the 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.

**17. Pledge of assets**

As at 31 December 2011, all the assets of Global Winner Enterprises Limited, an indirect wholly owned subsidiary of the Company, were pledged to the investor, Brilliant Capital International Limited (now the controlling shareholder of the Company), by way of a floating charge to secure the working capital facility and the additional working capital facility granted by the investor to Global Winner Enterprises Limited. The floating charge was released on 23 February 2012 upon completion of the reorganisation of the Group.

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

## GROUP RESTRUCTURING

The management is pleased to report that as of 23 February 2012, the Company had successfully completed a series of corporate restructuring exercises including capital restructuring, subscription of new shares, open offer of new shares and group reorganisation. On the even date, the scheme of arrangement with the Company's creditors also came into effect.

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 of Hong Kong.

On 28 February 2012, the trading of the Company's shares on the Main Board of the Stock Exchange has resumed.

## OPERATIONS REVIEW

For the six months ended 30 June 2012, the Group continued to engage in the sale of semiconductors and related products as well as the development and provision of electronic turnkey device solution products. The Group reported a turnover of HK$140,301,000, representing a small drop of 4% from the previous period (30 June 2011: HK$146,176,000), and gross profit of HK$11,032,000, showing a decrease of 10% from the previous period (30 June 2011: HK$12,279,000). The declines in the Group's turnover and gross profit were primarily attributed to the increasingly challenging business environment the Group was operating in, which was mainly caused by the slowdown of economic growth in the PRC.

During the period under review, the revenue of the Group's semiconductors and related products operation was HK$92,029,000, showing a drop of 8% when compared with the prior period (30 June 2011: HK$100,112,000). Despite the drop in revenue, the segment profit of the operation increased by 37% to HK$4,584,000 (30 June 2011: HK$3,352,000), which was mainly due to the increase in sales weighting of used semiconductor products in the current period that carried a higher profit margin. The Group principally performs a supply and procurement function of standardised 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. During the current period, the demand for standardised semiconductor products was weakened due to the slowdown of economic growth in the PRC which in turn led to the decrease of the operation's revenue.

The revenue of the development and provision of electronic turnkey device solutions operation increased by 5% to HK$48,272,000 (30 June 2011: HK$46,064,000) in the current period. The increase was mainly attributed to the inclusion of revenue 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") in the Group's current period results. Foshan Lianchuang Hualian is an one-stop services provider of microcontrollers for home electrical appliances which became a subsidiary of the Group in June 2011. The increase in the operation's turnover contributed by Foshan Lianchuang Hualian was nevertheless partly offset by the drop in revenue of the operation's engineering and design services for motherboards of netbook and notebook computers, which was mainly caused by the increase popularity of tablet computers. The decrease of the engineering and design service income for computer motherboards also led to the decline of the operation's segment profit by 63% to HK$2,506,000 (30 June 2011: HK$6,831,000) as such service income carried a higher profit margin than microcontrollers sold by Foshan Lianchuang Hualian.

The Group's results attributable to owners of the Company turned around from loss of HK$8,583,000 in the previous period to profit of HK$255,223,000 in the current period; whereas basic earnings per share were HK32.33 cents, compared to the basic loss per share of HK8.03 cents (restated) in the prior period. 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 (30 June 2011: nil) and the gain on group reorganisation of HK$30,589,000 (30 June 2011: nil). Nevertheless, the profit attributable to owners of the Company was partly offset by the loss on financial guarantee liabilities of HK$3,766,000 (30 June 2011: HK$12,036,000) and restructuring costs of HK$4,926,000 (30 June 2011: HK$5,493,000) incurred by the Company during the current period. The Group's finance costs for the current period included interests on creditors convertible bonds of HK$232,000, yet part of that amount of approximately HK$204,000 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 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 HK$6,311,000 for the current period.

Upon the completion of a series of corporate and debt restructuring exercises of the Company in February 2012, the Group's financial position had been significantly improved. As at 30 June 2012, the Group had current assets of HK$211,379,000 (31 December 2011: HK$117,617,000) comprising bank and cash balances of HK$93,566,000 (31 December 2011: HK$10,365,000) and net current assets of HK$163,959,000 (31 December 2011: net current liabilities of HK$291,334,000).

The Company provided corporate guarantees to third parties for all bank loans and certain payables for a number of its former subsidiaries, these subsidiaries together with certain other subsidiaries and associates had been deconsolidated from the Group's consolidated financial statements since 1 July 2008 and were transferred out of the Group on 23 February 2012 pursuant to a group reorganisation. A gain of approximately HK$30,589,000 (30 June 2011: nil) on such reorganisation was recorded during the current period.

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 total 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 (30 June 2011: nil), no further financial guarantee liabilities had been 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 financial position of the Group had been significantly improved by turning from net liabilities to net assets amounting to HK$162,644,000 as at 30 June 2012. 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 contributed new working capital of approximately HK$93 million for the continuation as well as the future expansion of the Group's businesses.

Nevertheless, the Group has been managing its businesses prudently since the second quarter of 2012 to weather the negative impact brought by the slowdown of economic growth in the PRC. Looking forward, the Group will continue to manage its businesses in a prudent manner for the remainder of the financial year to ensure a stable prospect for the 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 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 Chief Executive Officer of the Company, 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 the independent non-executive directors and other non-executive directors should attend general meeting 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 unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2012 have not been audited, but have been reviewed by the Audit Committee and are duly approved by the Board under the recommendation of the Audit Committee.

The Board and the Audit Committee would like to draw the attention of the shareholders that, as referred to in the Company's circular dated 23 December 2011, it is anticipated that there will be audit qualifications in the Group's consolidated financial statements for the year ending 31 December 2012 in relation to (i) the opening balances and corresponding figures (i.e. year ended 31 December 2011) and (ii) the gain on group reorganisation (i.e. approximately HK$30,589,000 as recorded during the six months ended 30 June 2012) as "no sufficient evidence" can be provided to satisfy the Company's auditor as to the net liabilities amount of those former subsidiaries and associates transferred out of the Group on 23 February 2012.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
**Sue Ka Lok**
*Chief Executive Officer*

Hong Kong, 29 August 2012

*As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Suen Cho Hung, Paul (Chairman), Mr. Sue Ka Lok (Chief Executive Officer) and Mr. Lai Ming Wai; 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*