# 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 2014

The Board of Directors (the "Board") of Sunlink International Holdings Limited (the "Company") is hereby 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 2014 together with comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
*For the six months ended 30 June 2014*

| | | **Six months ended** | |
|---|---|---|---|
| | | **30 June 2014** | 30 June 2013 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Turnover** | *3 & 4* | **44,534** | 120,800 |
| Cost of sales | | **(42,269)** | (115,051) |
| Gross profit | | **2,265** | 5,749 |
| Other income | *5* | **519** | 2,115 |
| Selling and distribution expenses | | **(750)** | (1,917) |
| Administrative expenses | | **(5,840)** | (4,187) |
| **(Loss)/profit from operations** | | **(3,806)** | 1,760 |
| Finance cost | *6* | **(1)** | (259) |

| | Notes | Six months ended 30 June 2014 HK$'000 (Unaudited) | 30 June 2013 HK$'000 (Unaudited) |
|---|---|---|---|
| **(Loss)/profit before tax** | *7* | **(3,807)** | 1,501 |
| Income tax (expense)/credit | *8* | **(43)** | 50 |
| **(Loss)/profit for the period** | | **(3,850)** | 1,551 |
| **Other comprehensive (expenses)/income for the period, net of tax:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **(218)** | 645 |
| **Total comprehensive (expenses)/income for the period** | | **(4,068)** | 2,196 |
| **(Loss)/profit for the period attributable to:** | | | |
| Owners of the Company | | **(3,300)** | 1,646 |
| Non-controlling interests | | **(550)** | (95) |
| | | **(3,850)** | 1,551 |
| **Total comprehensive (expenses)/income for the period attributable to:** | | | |
| Owners of the Company | | **(3,417)** | 1,992 |
| Non-controlling interests | | **(651)** | 204 |
| | | **(4,068)** | 2,196 |
| **(Loss)/earnings per share** | *10* | | |
| Basic (HK cent per share) | | **(0.31)** | 0.15 |
| Diluted (HK cent per share) | | **(0.31)** | 0.15 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2014*

| | Notes | As at 30 June 2014 HK$'000 (Unaudited) | As at 31 December 2013 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current asset** | | | |
| Property, plant and equipment | | **5,359** | 5,842 |
| **Current assets** | | | |
| Inventories | | **36,426** | 41,683 |
| Trade and bill receivables | *11* | **15,131** | 36,475 |
| Prepayments, deposits and other receivables | | **2,413** | 2,830 |
| Current tax assets | | **1,414** | 1,252 |
| Bank and cash balances | | **140,240** | 121,163 |
| | | **195,624** | 203,403 |
| **Current liabilities** | | | |
| Trade payables | *12* | **31,596** | 31,501 |
| Accruals, other payables and deposits received | | **1,701** | 4,567 |
| Creditors convertible bonds | *13* | **–** | 3,265 |
| Due to a non-controlling shareholder of a subsidiary | | **1,846** | 302 |
| | | **35,143** | 39,635 |
| **Net current assets** | | **160,481** | 163,768 |
| **Total assets less current liabilities** | | **165,840** | 169,610 |
| **Non-current liability** | | | |
| Deferred tax liabilities | | **–** | 2 |
| **NET ASSETS** | | **165,840** | 169,608 |
| **Capital and reserves** | | | |
| Share capital | | **10,741** | 10,725 |
| Reserves | | **142,330** | 145,463 |
| Equity attributable to owners of the Company | | **153,071** | 156,188 |
| Non-controlling interests | | **12,769** | 13,420 |
| **TOTAL EQUITY** | | **165,840** | 169,608 |

*Notes:*

1. **Basis of preparation**

   The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013.

   The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair values, 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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs; 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

   – Development and provision of electronic turnkey device solutions

   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 2013. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate expenses, finance cost and income tax expense and credit.

Information about reportable segment profit or loss:

| | Sale of semiconductors and related products Six months ended | | Development and provision of electronic turnkey device solutions Six months ended | | Total Six months ended | |
|---|---|---|---|---|---|---|
| | **30 June 2014** | 30 June 2013 | **30 June 2014** | 30 June 2013 | **30 June 2014** | 30 June 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Revenue from external customers | **27,398** | 99,635 | **17,136** | 21,165 | **44,534** | 120,800 |
| Segment profit/(loss) | **469** | 806 | **(1,074)** | (267) | **(605)** | 539 |
| Depreciation | **16** | 16 | **453** | 426 | **469** | 442 |
| Capital expenditure | **–** | 11 | **29** | 879 | **29** | 890 |

Reconciliation of reportable segment profit or loss is as follows:

| | Six months ended | |
|---|---|---|
| | **30 June 2014** | 30 June 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Profit or loss** | | |
| Total (loss)/profit of reportable segments | **(605)** | 539 |
| Unallocated amounts: | | |
| Unallocated corporate other income | **1** | 1,863 |
| Unallocated corporate expenses | **(3,202)** | (642) |
| (Loss)/profit from operations | **(3,806)** | 1,760 |
| Finance cost | **(1)** | (259) |
| (Loss)/profit before tax | **(3,807)** | 1,501 |

## 4. Turnover

| | Six months ended 30 June 2014 HK$'000 (Unaudited) | 30 June 2013 HK$'000 (Unaudited) |
|---|---|---|
| The Group's turnover is as follows: | | |
| Sale of semiconductors and related products | **27,398** | 99,635 |
| Development and provision of electronic turnkey device solution products | **17,136** | 21,165 |
| | **44,534** | 120,800 |

## 5. Other income

| | Six months ended 30 June 2014 HK$'000 (Unaudited) | 30 June 2013 HK$'000 (Unaudited) |
|---|---|---|
| The Group's other income is as follows: | | |
| Bank interest income | **213** | 213 |
| Interest income from short-term loans receivable | **–** | 1,645 |
| Sundry income | **306** | 257 |
| | **519** | 2,115 |

## 6. Finance cost

| | Six months ended 30 June 2014 HK$'000 (Unaudited) | 30 June 2013 HK$'000 (Unaudited) |
|---|---|---|
| Interest expenses on creditors convertible bonds | **1** | 259 |

## 7. (Loss)/profit before tax

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

| | Six months ended | |
|---|---|---|
| | **30 June 2014** | 30 June 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Staff costs including directors' remuneration | | |
| Salaries, bonus and allowances | **4,536** | 4,734 |
| Retirement benefits scheme contributions | **192** | 173 |
| | **4,728** | 4,907 |
| Cost of inventories sold | **42,254** | 114,915 |
| Depreciation of property, plant and equipment | **469** | 442 |
| Operating lease charges on land and buildings | **1,025** | 1,129 |

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK$3,103,000 (six months ended 30 June 2013: HK$3,182,000) which are included in the amounts disclosed separately above.

## 8. Income tax expense/(credit)

| | Six months ended | |
|---|---|---|
| | **30 June 2014** | 30 June 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax – Hong Kong Profits Tax provided for the period | **45** | 47 |
| Deferred tax | **(2)** | (97) |
| | **43** | (50) |

Hong Kong Profits Tax has been provided at a rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profit for the six months ended 30 June 2014.

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.

## 9. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

## 10. (Loss)/earnings per share

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

| | Six months ended 30 June 2014 HK$'000 (Unaudited) | 30 June 2013 HK$'000 (Unaudited) |
|---|---|---|
| **(Loss)/earnings:** | | |
| (Loss)/earnings for the purpose of calculating basic (loss)/earnings per share | **(3,300)** | 1,646 |
| Finance cost saving on conversion of creditors convertible bonds outstanding | **1** | 259 |
| Deferred tax relating to creditors convertible bonds | **(2)** | (97) |
| (Loss)/earnings for the purpose of calculating diluted (loss)/earnings per share | **(3,301)** | 1,808 |

| | Six months ended 30 June 2014 '000 (Unaudited) | 30 June 2013 '000 (Unaudited) |
|---|---|---|
| **Number of shares:** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share | **1,073,615** | 1,071,690 |
| Effect of dilutive potential ordinary shares arising from creditors convertible bonds outstanding | **4,800** | 38,027 |
| Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share | **1,078,415** | 1,109,717 |

Basic and diluted loss per share for the six months ended 30 June 2014 were the same because conversion of creditors convertible bonds would decrease the loss per share, therefore, is anti-dilutive.

Basic and diluted earnings per share for the six months ended 30 June 2013 were the same because conversion of creditors convertible bonds would increase the earnings per share, therefore, is anti-dilutive.

## 11. 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 2014** | As at 31 December 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 30 days or less | **3,350** | 20,822 |
| 31 days to 60 days | **3,903** | 11,628 |
| 61 days to 90 days | **1,147** | 1,577 |
| 91 days to 120 days | **1,802** | 882 |
| Over 120 days | **4,929** | 1,566 |
| | **15,131** | 36,475 |

The balance of trade and bill receivables included an amount of approximately HK$1,198,000 (31 December 2013: HK$3,136,000) in relation to bill receivables as at 30 June 2014.

As at 30 June 2014, trade and bill receivables of approximately HK$4,929,000 (31 December 2013: HK$1,566,000) were past due but not impaired. These related to a number of independent customers with no recent history of default. The aging analysis of these trade receivables is as follows:

| | **As at 30 June 2014** | As at 31 December 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Over 120 days | **4,929** | 1,566 |

## 12. Trade payables

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

| | **As at 30 June 2014** *HK$'000* **(Unaudited)** | As at 31 December 2013 *HK$'000* (Audited) |
|---|---|---|
| 30 days or less | **11,534** | 25,527 |
| 31 days to 60 days | **2,017** | 3,137 |
| 61 days to 90 days | **9,591** | 1,143 |
| 91 days to 120 days | **633** | 731 |
| Over 120 days | **7,821** | 963 |
| | **31,596** | 31,501 |

## 13. 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 would be matured on 23 February 2014 and were interest bearing at 1% per annum.

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

In March 2013, certain creditors convertible bond holders had exercised their conversion options and converted creditors convertible bonds in the aggregate principal amount of approximately HK$558,000 into approximately 2,790,000 ordinary shares of the Company, whereas in March and May 2013, certain creditors convertible bonds in the aggregate principal amount of approximately HK$4,164,000 were redeemed by the Company with the consideration paid being allocated to the liability and equity components of such creditors convertible bonds as to approximately HK$3,506,000 (excluding the gain on redemption of the creditors convertible bonds of approximately HK$349,000) and HK$658,000 (before net-off deferred tax liability of approximately HK$109,000) respectively by using the same method as adopted on initial recognition of such creditors convertible bonds. The amount of consideration allocated to the equity component of such creditors convertible bonds was recognised in equity. As at 31 December 2013, the aggregate principal amount of creditors convertible bonds outstanding was approximately HK$3,278,000.

During the period ended 30 June 2014, creditors convertible bonds in the aggregate principal amount of approximately HK$313,000 were converted into approximately 1,567,000 ordinary shares of the Company and creditors convertible bonds in the aggregate principal amount of approximately HK$2,965,000 were redeemed by the Company with the consideration paid being allocated to the liability and equity components of such creditors convertible bonds as to approximately HK$2,497,000 (excluding the gain on redemption of the creditors convertible bonds of approximately HK$450,000) and HK$468,000 (before net-off deferred tax liability of approximately HK$77,000) respectively by using the same method as adopted on initial recognition of such creditors convertible bonds. The amount of consideration allocated to the equity component of such creditors convertible bonds was recognised in equity. As at 30 June 2014, all creditors convertible bonds were fully redeemed or converted.

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

| | ***HK$'000*** **(Unaudited)** |
|---|---|
| Liability component at 1 January 2013 | 7,246 |
| Interest charged for the year ended 31 December 2013 calculated at an effective interest rate of 10.12% per annum | 430 |
| Interest payable for the year ended 31 December 2013 | (43) |
| Conversion of creditors convertible bonds during the year ended 31 December 2013 | (513) |
| Redemption of creditors convertible bonds during the year ended 31 December 2013 | (3,855) |
| Liability component at 31 December 2013 and 1 January 2014 | 3,265 |
| Interest charged for the six months ended 30 June 2014 calculated at an effective interest rate of 10.12% per annum *(note 6)* | 1 |
| Interest payable for the six months ended 30 June 2014 | (4) |
| Conversion of creditors convertible bonds during the period ended 30 June 2014 | (315) |
| Redemption of creditors convertible bonds during the period ended 30 June 2014 | (2,947) |
| **Liability component at 30 June 2014** | **–** |

As at 31 December 2013, the carrying amount of the creditors convertible bonds was approximate to their fair values. The fair values had been determined by using discounted cash flow method at the market interest rate.

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

## OPERATIONS REVIEW

For the six months ended 30 June 2014, 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$44,534,000, showing a 63% decrease from the previous period (30 June 2013: HK$120,800,000) and gross profit of HK$2,265,000, representing a 61% drop from the prior period (30 June 2013: HK$5,749,000). The declines in the Group's turnover and gross profit were mainly due to the increased competition in the electronic industry and the slowdown of economic growth in the Mainland.

During the period under review, the revenue and segment profit of the Group's semiconductors and related products operation decreased by 73% to HK$27,398,000 (30 June 2013: HK$99,635,000) and 42% to HK$469,000 (30 June 2013: HK$806,000) respectively that were mainly due to the drop in sales of standardised semiconductor and related products. The operation 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. During the review period, primarily due to the increased competition in the electronic industry and the slowdown of economic growth in the Mainland that negatively affected the electronic industry in general, the volume, price and profit margin of semiconductor products traded by the operation have all been going downtrend which led to the declines in revenue and profitability of the operation.

The revenue of the development and provision of electronic turnkey device solutions operation was HK$17,136,000 (30 June 2013: HK$21,165,000), decreased by 19% compared to the previous period and with its segment loss increased to HK$1,074,000 (30 June 2013: HK$267,000). The results of the operation comprise mainly the results of its 50.21% owned subsidiary in the People's Republic of China which is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances. During the review period, the slowdown of the Mainland economy had to a certain extent lead to the drop in purchase orders from manufacturers of home electrical appliances which in turn caused the decline in sales of the subsidiary. Such decline in sales had also led to the increase in loss of the operation comparing to the previous period.

The Group reported loss for the period of HK$3,850,000 in contrast to the profit of HK$1,551,000 in the prior period. An other comprehensive expense of HK$218,000 being exchange loss (30 June 2013: other comprehensive income being exchange gain of HK$645,000) arising on translating foreign operations was recognised with the result that the Group recorded total comprehensive expenses for the period of HK$4,068,000 compared to total comprehensive income of HK$2,196,000 in the previous period. The loss attributable to owners of the Company was HK$3,300,000 for the period under review compared to the profit of HK$1,646,000 in the prior period; whereas basic loss per share was HK0.31 cent compared to basic earnings per share of HK0.15 cent in the previous period. The turnaround of the Group's results was mainly the combined effect of the decrease in segment profit earned by the semiconductors and related products operation and the increase in segment loss incurred by the development and provision of electronic turnkey device solutions operation.

On 23 February 2012, the Company completed an open offer and a share subscription the details of which were set out in the circular of the Company dated 3 February 2012 (the "Circular"). The aggregate gross proceeds from the open offer and the share subscription totalling approximately HK$187,296,000 were used as follows: (i) HK$43,000,000 as cash settlement to creditors with admitted claims under a scheme of arrangement with the Company in February 2012; (ii) approximately HK$22,000,000 were used as restructuring costs (as referred to the Circular); (iii) HK$28,000,000 were used to repay the loans from the former controlling shareholder of the Company; (iv) approximately HK$1,225,000 were used to settled the expenses for the open offer and the share subscription mentioned above; and (v) the balance of approximately HK$93,071,000 were used as working capital of the Group.

**PROSPECTS**

The Group has been managing its existing businesses prudently in view of the slowdown of economic growth in the Mainland which has posed negative impact on the electronic industry in general. In fact, the business environment in which the Group is operating has become increasingly competitive and profit margin is getting slim. As announced by the Company previously, the Board of the Company is now chaired by Mr. Feng Hailiang and under the leadership of the newly appointed directors in May 2014. The Board is now reviewing the operations of the Group and considering new business opportunities that can add significant value and bring long-term prosperity to the Group. At present, the Board is considering some property projects in Sydney, Australia with good development potential although concrete arrangements have not been finalized. Further announcements will be made by the Board in accordance with the Listing Rules if such projects materialize. It is the intention of the Board that long-term business plan and strategy for the Group will be formulated in light of the Group's existing businesses and new business opportunities with the view to enhance growth potential of the Group and return to shareholders.

## CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014 except for the following deviations with reasons as explained:

### Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

### Deviation

Prior to 3 June 2014, the Company segregates the role of chairman and the chief executive. Mr. Sue Ka Lok was the Chairman of the Board until his resignation on 3 June 2014 and Mr. Lai Ming Wai was the Chief Executive Officer until his resignation on 3 June 2014. On 3 June 2014, Mr. Feng Hailiang (馮海良先生), a Non-executive Director of the Company, has been appointed as the Chairman of the Company but the Company has not appointed a chief executive since 3 June 2014. Since then, the role and functions of chief executive have been performed by all the executive directors of the Company collectively. However, the aforesaid deviation was rectified and code provision A.2.1 has been complied with commencing from the date of this announcement as Mr. Cao Jianguo (曹建國先生), an Executive Director of the Company, has been appointed as the Chief Executive Officer of the Company with effect from the date of this announcement.

### Code Provision A.4.1

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

### Deviation

There has been a deviation from the code provision since the appointment of the existing independent non-executive directors of the Company on 12 May 2014 (the "INEDs"). The INEDs are not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in Article 87 of the Articles of Association of the Company which provides that at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. However, the aforesaid deviation was rectified and code provision A.4.1 has been complied with commencing from the date of this announcement as the Company has entered into service contracts with each of the independent non-executive directors and the non-executive director of the Company as at the date of this announcement and the service contracts set out the term of service of each of the independent non-executive directors and the non-executive director be fixed at a term of three years but subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

**Code Provision A.6.7**

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

**Deviation**

Three INEDs were unable to attend the annual general meeting of the Company held on 30 June 2014 (the "AGM") as they had other important business engagements. However, there were three executive directors and one non-executive director of the Company present at the AGM to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

**Code Provision D.1.4**

Code provision D.1.4 of the CG Code stipulates that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

**Deviation**

There has been a deviation as the Company has not entered into any letters of appointment with the existing directors of the Company since their respective appointment on 12 May 2014. However, the aforesaid deviation was rectified and code provision D.1.4 has been complied with commencing from the date of this announcement as the Company has entered into service contracts with each of the directors of the Company as at the date of this announcement.

## AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2014 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.

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

During the six months ended 30 June 2014, 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
**Sunlink International Holdings Limited**
**Feng Hailiang**
*Chairman*

Hong Kong, 29 August 2014

*As at the date of this announcement, the Board comprises one Non-executive Director, namely Mr. Feng Hailiang (馮海良先生) (Chairman); three Executive Directors, namely Mr. Cao Jianguo (曹建國先生) (Chief Executive Officer), Mr. Zhou Diyong (周迪永先生) and Ms. Ji Danyang (季丹陽女士); and three Independent Non-executive Directors, namely Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan.*

* *For identification purpose only*