



泰豐國際集團有限公司\*

Sino-Tech International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)



Interim Report  
**2013**

## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Lam Yat Keung (*President*)  
Mr. Lim Chuan Yang  
(*Chief Executive Officer*)  
Mr. Huang Hanshui  
Mr. Wang Zhaofeng

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chi Fai  
Ms. Liu Yanfang  
Professor Ma Hongwei

### AUDIT COMMITTEE

Mr. Ho Chi Fai (*Chairman*)  
Ms. Liu Yanfang  
Professor Ma Hongwei

### REMUNERATION COMMITTEE

Professor Ma Hongwei (*Chairman*)  
Mr. Ho Chi Fai  
Ms. Liu Yanfang

### NOMINATION COMMITTEE

Ms. Liu Yanfang (*Chairman*)  
Mr. Lim Chuan Yang  
Professor Ma Hongwei

### INVESTMENT COMMITTEE

Professor Ma Hongwei (*Chairman*)  
Mr. Ho Chi Fai  
Ms. Liu Yanfang

### COMPANY SECRETARY

Ms. Yu Miu Yee, Iris

### AUDITOR

SHINEWING (HK) CPA LIMITED

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, Times Media Centre  
133 Wan Chai Road  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services  
(Bermuda) Limited  
6 Front Street  
Hamilton, HM 11  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

### SHARE LISTING

The Stock Exchange of Hong Kong Limited  
Stock Code: 724

### WEBSITE

[www.irasia.com/listco/hk/sinotech](http://www.irasia.com/listco/hk/sinotech)

The board (the "Board") of directors (the "Directors") of Sino-Tech International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013, together with the comparative figures for the corresponding period and selected explanatory notes as set out below.

## Results Overview

During the six months ended 30 June 2013 (the "Reporting Period"), the Group recorded turnover from continuing operation of approximately HK\$322.7 million, representing an increase of 28.1% as compared with approximately HK\$251.9 million for the six months ended 30 June 2012 (the "Corresponding Period").

Loss from continuing operation for the Reporting Period was reduced to approximately HK\$5.5 million from approximately HK\$54.6 million in the Corresponding Period. Loss from discontinued operations for the Reporting Period was approximately HK\$1.1 million as compared with approximately HK\$18.3 million in the Corresponding Period. Loss from continuing operation and discontinued operations for the Reporting Period was approximately HK\$6.6 million as compared with approximately HK\$72.9 million in the Corresponding Period. The loss for the Reporting Period was mainly attributable to the imputed interest expenses on convertible notes.

Other than the gain on loss of control over subsidiaries and the imputed interest expenses on convertible notes which arose as a result of accounting treatment under the provisions of the applicable accounting standards, the Group made a net loss of approximately HK\$7.6 million in the Reporting Period, as compared with a net loss of approximately HK\$63.7 million in the Corresponding Period.

## Financial Highlights

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Turnover from continuing operation	<b>322,661</b>	251,906
Gross profit (loss) from continuing operation	<b>23,669</b>	(19,910)
Loss for the period from continuing operation	<b>(5,463)</b>	(54,633)
Loss for the period from discontinued operations	<b>(1,094)</b>	(18,288)
Loss for the period	<b>(6,557)</b>	(72,921)
Gain on loss of control over subsidiaries	<b>11,002</b>	–
Imputed interest expenses on convertible notes	<b>(9,928)</b>	(9,253)
<b>Net loss for the period before gain on loss of control over subsidiaries and imputed interest expenses on convertible notes</b>	<b>(7,631)</b>	(63,668)

## Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

Turnover for the electronic products segment (the continuing operation of the Group) recorded an increase of 28.1% to approximately HK\$322.7 million in the Reporting Period from approximately HK\$251.9 million in the Corresponding Period. Although the global economy did not improve sharply during the first half of 2013, the performance of the segment has been improved steadily since the second half of 2012 mainly due to the focus on products with higher margins and continuously tightening of its cost. As a result of the turnaround, this segment made a profit of approximately HK\$6.3 million in terms of contribution to segment results in the Reporting Period as compared with a loss of approximately HK\$35.3 million in the Corresponding Period.

During the Reporting Period, a gain on loss of control over subsidiaries of approximately HK\$11.0 million was recorded upon completion of the Semtech Disposal (as defined and set out in paragraphs headed "Material Acquisitions and Disposals of Subsidiaries and Associated Companies" below in this section). After completion of the Semtech Disposal, the Group retained 50% control over Semtech BVI Group (as defined below) and Semtech BVI Group became joint ventures of the Group.

The Company also completed the disposal of the investment property and fully repaid the secured bank borrowings (as set out in note 13 to the condensed consolidated financial statements) during the Reporting Period. As at the date of this report, the winding-up of CITIC Logistics (International) Company Limited ("CLI") is still in process. The financial results and position of CLI together with its subsidiaries and associate (the "CLI Group"), however, were deconsolidated from those of the Group on 27 December 2012. The discontinuation of the loss making business of the CLI Group in the logistics services segment thereby improved the overall performance of the Group during the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Business and Financial Review *(Continued)*

As reported in the 2012 Annual Report of the Company, the Company had provided a corporate guarantee in relation to other borrowing of HK\$8 million (the "Principal") made by an independent third party to CLI. During the Reporting Period, the Company fully repaid the Principal together with the interest accrued in the total amount of approximately HK\$8.6 million on behalf of CLI. At this stage, the Company is unable to ascertain the extent of recovery from CLI given that CLI is in the process of winding-up.

### Liquidity, Financial Resources and Capital Structure

The Group mainly finances its business operations with internally generated cash flows and general banking facilities.

As at 30 June 2013, the Group had bank balances and cash of approximately HK\$93.1 million (31 December 2012: approximately HK\$41.9 million). The Group's current ratio (measured as total current assets to total current liabilities) was 3.8 times (31 December 2012: 2.0 times).

As at 31 December 2012, the secured bank borrowings (which was included in the liabilities directly associated with non-current asset classified as held for sale) of the Group amounted to approximately HK\$143.6 million (30 June 2013: nil), which were secured by the investment property (which was included in the non-current asset classified as held for sale) of the Group with carrying value of HK\$279.0 million (30 June 2013: nil) and the corporate guarantee provided by the Company. The secured bank borrowings were fully repaid during the Reporting Period. As at 30 June 2013, the Group has finance lease obligations of approximately HK\$11,000 (31 December 2012: approximately HK\$14,000). The gearing ratio, which is calculated by total interest bearing borrowings to total equity, was 0.01% (31 December 2012: 148.6%).

As at 30 June 2013, the Company had zero coupon convertible notes due on 15 November 2014 in the aggregate principal amount of approximately HK\$302.4 million (31 December 2012: approximately HK\$302.4 million) with an initial conversion price of HK\$0.12 per conversion share.

As at 30 June 2013, the Group had capital expenditure commitments amounted to approximately HK\$633,000 (31 December 2012: nil) in respect of acquisition of a motor vehicle.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Significant Investments

The Group did not have any significant investments during the Reporting Period.

### Material Acquisitions and Disposals of Subsidiaries and Associated Companies

As set out in note 18 to the condensed consolidated financial statements, on 31 May 2013, a directly wholly-owned subsidiary, Sino-Tech International (B.V.I.) Limited ("ST-BVI") as vendor, and a third party independent of the Company and its connected persons as purchaser (the "Purchaser") entered into a sales and purchase agreement, pursuant to which, ST-BVI disposed of 50% equity interest in Semtech International (B.V.I.) Limited and its wholly-owned subsidiary, Semtech Electronics Limited (collectively referred as "Semtech BVI Group") at a cash consideration of HK\$5,000,000 (the "Semtech Disposal"). Semtech BVI Group is the registered owner of various trademarks. As all the relevant percentage ratios in respect of the entering into the sales and purchase agreement are less than 5%, this disposal is exempted from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The completion of the Semtech Disposal took place on 31 May 2013, after which the Group retained 50% control over Semtech BVI Group, and Semtech BVI Group became joint ventures of the Group.

Save as disclosed above, the Company does not have any significant acquisition and disposal of subsidiaries and associated companies during the Reporting Period.

### Charge on Group's Assets

As at 31 December 2012, the Group's investment property (which was included in the non-current asset classified as held for sale), with a carrying value of HK\$279.0 million was pledged to secure bank borrowings of the Group (which was included in the liabilities directly associated with non-current asset classified as held for sale). On 3 April 2013, the pledge of asset was released upon full repayment of the secured bank borrowings of the Group. The Group did not have any asset pledged as at 30 June 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Foreign Exchange Exposures

The Group mainly earns revenue and incurs costs in Hong Kong dollars, US dollars and Renminbi. The management is aware of the possible exchange rate exposure resulted from the fluctuation of Renminbi against the Hong Kong dollars and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. With regard to the US dollars, foreign exchange exposure would be minimal so long as the Hong Kong SAR Government's policy to peg the Hong Kong dollars to the US dollars remains in effect.

### Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 20 to the condensed consolidated financial statements.

### Employee and Remuneration Policy

As at 30 June 2013, the Group had 1,799 (30 June 2012: 1,948) full time employees in Hong Kong and the People's Republic of China (the "PRC" or "China"). Total staff costs (including directors' remuneration) for the Reporting Period amounted to approximately HK\$14.6 million (six months ended 30 June 2012: approximately HK\$34.3 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package and the mandatory provident fund scheme and the central provident scheme in the PRC, the Company also operates a share option scheme based on which the Board may, at its discretion, grant options to eligible employees of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Future Outlook

Continued weakness in the European and U.S. markets has posed the deceleration to the overall global economy. In China, the slowdown in the underlying growth, including the feeble domestic activity and the weakness in the export market, has resulted in the GDP slipped to 7.5% in the second quarter of 2013 from 7.7% in the first quarter of 2013. With concerns about bad loans mounting and growth slowing, the market believes that if the economy slipped too far, the new leaders of China may fine-tune its economic program by launching new policies in order to put China on a more stable footing. Retail sales in China rose 13.3% in June 2013 compared with a year earlier. It seems to be a signal of growth in demand for consumer products. Hopefully the Group would be able to benefit from such business opportunities in the downward pressure of the global economy.

Although the operating environment in China is expected to remain tough including the labour cost pressure due to the minimum wages policy, the shortage of labour, the inflation on material cost and the keen competition in the market, the Group will continue to closely observe various factors and adopt appropriate measures such as to streamline the operation and outsource the production process in order to minimise any potential threat of this tough operating environment to the Group.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

### Long positions in the shares and underlying shares of the Company:

Name of Directors	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Lam Hung Kit (Note 1)	Beneficial owner, interest of controlled corporation and interest of family	613,760,000	5.13%
Mr. Lam Yat Keung (Note 2)	Interest of family	612,400,000	5.12%
Mr. Lim Chuan Yang (Note 3)	Beneficial owner and interest of controlled corporation	574,065,409	4.80%
Mr. Huang Hanshui (Note 4)	Beneficial owner	86,827,895	0.73%

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

### Long positions in the shares and underlying shares of the Company: *(Continued)*

Notes:

As at 30 June 2013,

1. Mr. Lam Hung Kit, an executive Director (resigned on 1 July 2013), was interested in 613,760,000 shares, consisting of (i) a deemed interest in 612,400,000 shares owned by Smart Number Investments Limited ("Smart Number"); and (ii) a deemed interest in 1,360,000 shares owned by Ms. Wong Hing Ling (the spouse of Mr. Lam Hung Kit). Smart Number was incorporated in the British Virgin Islands ("BVI") and its entire issued share capital was beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Hung Kit.
2. Mr. Lam Yat Keung, an executive Director, was deemed interested in 612,400,000 shares owned by Smart Number.
3. Mr. Lim Chuan Yang, an executive Director, was interested in 574,065,409 shares, consisting of (i) an interest in 460,923,259 shares owned by Pioneer Blaze Limited ("Pioneer Blaze"). Pioneer Blaze was incorporated in the BVI and its entire issued share capital was beneficially and wholly owned by Mr. Lim Chuan Yang; and (ii) a derivative interest in 113,142,150 shares pursuant to share options granted to him on 30 November 2011.
4. Mr. Huang Hanshui, an executive Director, had a derivative interest in 86,827,895 shares pursuant to share options granted to him on 6 December 2010.

Save as disclosed above, as at 30 June 2013, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which had to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and chief executives of the Company, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions in the shares and underlying shares of the Company:

Name of substantial shareholders	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Li Weimin (Note 1)	Beneficial owner	4,262,985,823	35.62%
Smart Number (Note 2)	Beneficial owner	612,400,000	5.12%
Ms. Lam Pik Wah	Interest of controlled corporation	612,400,000	5.12%

Notes:

As at 30 June 2013,

1. Mr. Li Weimin was interested in 4,262,985,823 shares, consisting of (i) an interest in 1,742,985,823 shares beneficially owned and held in his own name; and (ii) a derivative interest in 2,520,000,000 conversion shares to be allotted and issued upon full conversion of the convertible notes issued to him by the Company in principal amount of HK\$302,400,000.
2. The entire issued share capital of Smart Number was beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Hung Kit.

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2013.

## SHARE OPTION SCHEME

On 8 June 2012, the Company adopted a new share option scheme (the "Scheme") under which the Board may, at its discretion, grant options to eligible participants under the Scheme. The Board is able to grant options under the Scheme carrying the right to subscribe for a maximum of 1,196,669,858 shares, representing 10% of the total number of shares in issue as at the date of the annual general meeting of the Company held on 10 June 2013.

The following table discloses the movements of the Company's share options for the Reporting Period:

Participants	Date of grant	Exercise price per share	Number of share options				Outstanding at 30 June 2013 '000
			Outstanding at 1 January 2013 '000	Granted during the period '000	Exercised during the period '000	Cancelled/ lapsed during the period '000	
Directors	6 December 2010	HK\$0.305	86,828	-	-	-	86,828
	30 November 2011	HK\$0.098	113,142	-	-	-	113,142
Employees	30 November 2011	HK\$0.098	565,711	-	-	-	565,711
	6 December 2010	HK\$0.305	86,828	-	-	-	86,828
Customers, suppliers and other eligible persons	30 November 2011	HK\$0.098	226,284	-	-	-	226,284
			1,078,793	-	-	-	1,078,793
Exercisable at the end of the Reporting Period							1,078,793
Weighted average exercise price			HK\$0.131	-	-	-	HK\$0.131

The options outstanding at 30 June 2013 had an exercisable period of ten years from the date of grant.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## CORPORATE GOVERNANCE PRACTICE

During the Reporting Period, the Company has complied with all the code provisions (the “Code Provisions”) set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Listing Rules except the following deviation:

Under the Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Ho Chi Fai (“Mr. Ho”), an independent non-executive Director (the “INED”), is not appointed for a specific term but his directorship is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the “Bye-laws”) and the Listing Rules. Under the Bye-laws, one-third of the Directors shall retire from office by rotation at each annual general meeting. This means a director’s specific term of appointment cannot exceed three years for a total of seven Directors.

The Directors will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making process are regulated in a proper and prudent manner.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

## CHANGE IN DIRECTOR’S BIOGRAPHICAL DETAILS

With effect from 1 July 2013, Mr. Lam Hung Kit resigned as an executive Director; with effect from 10 July 2013, Mr. Wang Zhaofeng was appointed as an executive Director; with effect from 1 August 2013, Mr. Chau Pong Chi (“Mr. Chau”) and Ms. Ching Betty Siu Kuen resigned as INEDs, members of the audit committee (the “Audit Committee”), the remuneration committee, the nomination committee (the “Nomination Committee”) and the investment committee (the “Investment Committee”) of the Company; Professor Ma Hongwei (“Professor Ma”), an INED, was appointed as the chairman of the Investment Committee in place of Mr. Chau; and Ms. Liu Yanfang (“Ms. Liu”), an INED, was appointed as the chairman of the Nomination Committee in place of Mr. Chau and a member of the Investment Committee.

## CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS

*(Continued)*

The Company established an Investment Committee on 4 February 2013 to review and approve investments within the authority delegated by the Board, and make recommendations to the Board on major investments which are beyond its authority, and make subsequent assessments of investments, and review and consider the overall investment direction and business development of the Company. The Investment Committee comprises three INEDs, namely, Professor Ma (Chairman of the Investment Committee), Mr. Ho and Ms. Liu.

Save as disclosed above, there is no other information regarding Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## AUDIT COMMITTEE REVIEW

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the Reporting Period.

The interim financial report has been reviewed by the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The members of the Audit Committee are Mr. Ho (Chairman of the Audit Committee), Ms. Liu and Professor Ma, the INEDs of the Company.

## APPRECIATION

On behalf of the Board, I would like to thank all employees for their hard work and dedication as well as our shareholders and business partners for their continued support.

On behalf of the Board  
**Sino-Tech International Holdings Limited**  
**Lam Yat Keung**  
*President*

Hong Kong, 26 August 2013

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



SHINEWING (HK) CPA Limited  
43/F., The Lee Gardens  
33 Hysan Avenue  
Causeway Bay, Hong Kong

**To the Board of Directors of Sino-Tech International Holdings Limited**  
*(incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the condensed consolidated financial statements of Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### Basis for Qualified Conclusion on Corresponding Figures

As set out in our report dated 30 August 2012 on the Group's condensed consolidated financial statements for the six-month period ended 30 June 2012, we were unable to obtain sufficient information supporting the impairment assessment in respect of the carrying amounts of goodwill and other intangible assets of approximately HK\$38,498,000 and HK\$139,308,000 respectively as at 30 June 2012 to determine whether adjustments for impairment on goodwill and other intangible assets might be necessary to the condensed consolidated statement of profit or loss and statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2012. We qualified our review opinion on the Group's condensed consolidated financial statements for the six-month period ended 30 June 2012 in respect of this scope limitation accordingly.

Our review conclusion on the Group's condensed consolidated financial statements for the six-month period ended 30 June 2013 was modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures of the condensed consolidated statements of profit or loss and statements of profit or loss and other comprehensive income.

### Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

#### **Pang Wai Hang**

Practising Certificate Number: P05044

Hong Kong  
26 August 2013

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited and restated)
<b>Continuing operation</b>			
Turnover	3	322,661	251,906
Cost of sales		(298,992)	(271,816)
Gross profit (loss)		23,669	(19,910)
Other income		76	750
Gain on loss of control over subsidiaries	18	11,002	–
Distribution costs		(6,517)	(4,417)
Administrative expenses		(23,502)	(21,797)
Share of results of joint ventures		(2)	–
Provision for financial guarantees		(260)	–
Finance costs	4	(9,929)	(9,259)
Loss before taxation	5	(5,463)	(54,633)
Taxation	6	–	–
Loss for the period from continuing operation		(5,463)	(54,633)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	7	(1,094)	(18,288)
Loss for the period		(6,557)	(72,921)
Loss for the period attributable to:			
– Owners of the Company		(6,557)	(71,984)
– Non-controlling interests		–	(937)
		(6,557)	(72,921)
<b>Loss per share</b>			
From continuing and discontinued operations	9		
Basic and diluted (HK cents)		(0.055)	(0.602)
From continuing operation			
Basic and diluted (HK cents)		(0.046)	(0.457)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited and restated)
Loss for the period	<u>(6,557)</u>	<u>(72,921)</u>
Other comprehensive expenses:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(49)	(1,304)
Share of exchange differences of an associate	<u>–</u>	<u>(65)</u>
Other comprehensive expenses for the period	<u>(49)</u>	<u>(1,369)</u>
Total comprehensive expenses for the period	<u>(6,606)</u>	<u>(74,290)</u>
Total comprehensive expenses for the period attributable to:		
Owners of the Company	(6,606)	(72,924)
Non-controlling interests	<u>–</u>	<u>(1,366)</u>
	<u>(6,606)</u>	<u>(74,290)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	58,858	55,660
Deposit paid for acquisition of property, plant and equipment		80	–
Interests in joint ventures	11	5,996	–
		<u>64,934</u>	<u>55,660</u>
<b>Current assets</b>			
Inventories		110,339	100,661
Trade and bills receivables	12	195,320	180,875
Prepayments, deposits and other receivables		1,679	2,662
Amount due from a joint venture		5	–
Tax recoverable		2,515	960
Deposits in other financial institutions		446	446
Bank balances and cash		93,133	41,859
		<u>403,437</u>	<u>327,463</u>
Non-current asset classified as held for sale	13	–	279,000
		<u>403,437</u>	<u>606,463</u>
<b>Current liabilities</b>			
Trade and bills payables	14	86,824	99,974
Other payables and accruals		10,671	42,655
Amounts due to former subsidiaries		7,405	7,405
Financial guarantee liabilities	15	–	8,300
Obligations under finance leases		5	5
		<u>104,905</u>	<u>158,339</u>
Liabilities associated with non-current asset classified as held for sale	13	–	143,637
		<u>104,905</u>	<u>301,976</u>
Net current assets		<u>298,532</u>	<u>304,487</u>
Total assets less current liabilities		<u>363,466</u>	<u>360,147</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL

### POSITION *(Continued)*

As at 30 June 2013

		<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Obligations under finance leases		<b>6</b>	9
Convertible notes	16	<b>273,366</b>	263,438
Employee benefits		<b>86</b>	86
		<b>273,458</b>	263,533
Net assets		<b>90,008</b>	96,614
<b>Capital and reserves</b>			
Share capital	17	<b>119,667</b>	119,667
Reserves		<b>(29,659)</b>	(23,053)
Total equity		<b>90,008</b>	96,614

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Share-based compensation reserve	Foreign exchange reserve	Convertible notes reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 (audited)	119,667	2,210,494	5,800	43,722	(26)	92,707	(2,375,750)	96,614	96,614
Loss for the period	-	-	-	-	-	-	(6,557)	(6,557)	(6,557)
Other comprehensive expenses for the period	-	-	-	-	(49)	-	-	(49)	(49)
Total comprehensive expenses for the period	-	-	-	-	(49)	-	(6,557)	(6,606)	(6,606)
At 30 June 2013 (unaudited)	119,667	2,210,494	5,800	43,722	(75)	92,707	(2,382,307)	90,008	90,008

For the six months ended 30 June 2012

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Share-based compensation reserve	Foreign exchange reserve	Convertible notes reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 (audited)	117,545	2,190,760	5,800	61,716	779	92,707	(2,054,332)	414,975	465,928
Loss for the period	-	-	-	-	-	-	(71,984)	(71,984)	(72,921)
Other comprehensive expenses for the period	-	-	-	-	(940)	-	-	(940)	(1,369)
Total comprehensive expenses for the period	-	-	-	-	(940)	-	(71,984)	(72,924)	(74,290)
Acquisition of subsidiaries (note 17)	2,122	19,734	-	-	-	-	-	21,856	21,856
At 30 June 2012 (unaudited)	119,667	2,210,494	5,800	61,716	(161)	92,707	(2,126,316)	363,907	413,494

Note: The contributed surplus represents the difference between the nominal value of the shares of the former group's holding company acquired pursuant to a group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefore.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(46,553)</u>	<u>(26,471)</u>
Net cash from investing activities		
Balance of proceed received for disposal of an investment property, net of transaction costs	250,576	–
Cash inflow arising on partial disposal of subsidiaries (note 18)	5,000	–
Other investing cash flows	<u>(13,667)</u>	<u>13,932</u>
	<u>241,909</u>	<u>13,932</u>
Net cash used in financing activities		
Repayment of secured bank borrowings	(143,564)	(4,738)
Other financing cash flows	<u>(442)</u>	<u>(997)</u>
	<u>(144,006)</u>	<u>(5,735)</u>
Net increase (decrease) in cash and cash equivalents	51,350	(18,274)
Cash and cash equivalents at beginning of the period	41,859	43,533
Effect of foreign exchange rate changes	<u>(76)</u>	<u>108</u>
Cash and cash equivalents at end of the period, representing bank balances and cash	<u>93,133</u>	<u>25,367</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

## 1. BASIS OF PREPARATION

The condensed consolidated 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 (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment property classified as held for sale and certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments to HKAS 1
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation (“Int”) 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has not applied any new or revised HKFRSs that is not yet effective for the current interim period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Amendments to HKAS 34 Interim Financial Reporting**

(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Since the Group has only one single reportable segment, no segment assets and liabilities are presented.

### **Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **HKFRS 11 Joint Arrangements**

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

As further set out in note 18, during the current interim period, the Group disposes of 50% equity interest in its subsidiaries which then become joint ventures under HKFRS 11. The results and assets and liabilities of joint ventures are incorporated in the condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. When the Group's share of losses of joint ventures equals or exceeds its interests in those joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investments in the joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of those joint ventures.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### HKFRS 11 Joint Arrangements *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interests in joint ventures. When necessary, the entire carrying amount of the interests (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the interests. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the interests subsequently increases.

Other than described above, the application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. TURNOVER AND SEGMENT INFORMATION

As set out in the Company's annual report for the year ended 31 December 2012, two operations (logistics services and property investment) were discontinued in the year ended 31 December 2012. Following the discontinuation of those operations, the Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components. Accordingly, the Group's continuing operation is attributable to a single reportable and operating segment under HKFRS 8.

Specifically, the Group's continuing and discontinued operations are as follows:

- (i) Continuing operation
  - Electronic products segment engages in the manufacturing and trading of electronic and electrical parts and components.
- (ii) Discontinued operations
  - Logistics services segment engages in providing shipping and transportation logistics services.
  - Property investment segment engages in properties investments.

Turnover from continuing operation represents revenue arising on manufacturing and trading of electronic and electrical parts and components.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by continuing and discontinued operations:

	Continuing operation		Discontinued operations				Total	
	Electronic products		Logistics services		Property investment			
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>For the six months ended 30 June</b>								
Sales to external customers	322,661	251,906	-	67,713	-	-	322,661	319,619
Other income	67	1,420	-	89	76	-	143	1,509
<b>Total segment revenue</b>	<b>322,728</b>	<b>253,326</b>	<b>-</b>	<b>67,802</b>	<b>76</b>	<b>-</b>	<b>322,804</b>	<b>321,128</b>
Contribution to segment results	6,321	(35,341)	-	(11,744)	(1,094)	(1,339)	5,227	(48,424)
Gain on loss of control over subsidiaries	11,002	-	-	-	-	-	11,002	-
Impairment loss on trade and bills receivables	-	-	-	(5,174)	-	-	-	(5,174)
Impairment loss on other receivables	-	-	-	(228)	-	-	-	(228)
<b>Segment results</b>	<b>17,323</b>	<b>(35,341)</b>	<b>-</b>	<b>(17,146)</b>	<b>(1,094)</b>	<b>(1,339)</b>	<b>16,229</b>	<b>(53,826)</b>
Unallocated corporate income							9	654
Share of results of an associate							-	705
Share of results of joint ventures							(2)	-
Unallocated corporate expenses							(12,864)	(11,195)
Finance costs							(9,929)	(9,259)
<b>Loss before taxation</b>							<b>(6,557)</b>	<b>(72,921)</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 4. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
<b>Continuing operation</b>		
Borrowing costs on obligations under finance leases	1	6
Imputed interest expenses on convertible notes	9,928	9,253
	9,929	9,259

### 5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
<b>Continuing operation</b>		
Depreciation of property, plant and equipment	13,300	17,701
Reversal of impairment loss on trade and bills receivables	(28)	–
Recovery of trade and bills receivables previously written off	(37)	–
Write-offs of property, plant and equipment	16	36
Net loss (gain) on disposals of property, plant and equipment	519	(589)
Bank interest income	(5)	(1)
Interest income from advances	–	(152)
Net exchange loss (gain)	783	(491)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

## 6. TAXATION

### Continuing operation

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2013 and 2012 as the subsidiaries of the Company either have no assessable profits arising in Hong Kong or have sufficient tax losses brought forward from previous years to offset the estimated assessable profits for both reporting periods. The tax rate of Hong Kong Profits Tax is 16.5%.

During the six months ended 30 June 2013, the Hong Kong Inland Revenue Department (the "IRD") enquired the Hong Kong Profits Tax of a subsidiary of the Company in respect of the years of assessment 2006/07 to 2011/12. As the assessment for the year of assessment 2006/07 would be statutorily time-barred by 31 March 2013, a protective assessment of approximately HK\$1,555,000 was raised by the IRD on 7 March 2013. The subsidiary lodged an objection against the assessment and the IRD had held over the payment of the profits tax and an equal amount of tax reserve certificate was purchased and recorded as tax recoverable as at 30 June 2013.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiary registered in the PRC is 25% for the six months ended 30 June 2013 and 2012. No provision for the Enterprise Income Tax has been made for the six months ended 30 June 2013 and 2012 as the subsidiary has no assessable profits.

## 7. DISCONTINUED OPERATIONS

The loss for the period from discontinued operations is analysed as follows:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Discontinued logistics services operation (note a)	–	(16,949)
Discontinued property investment operation (note b)	(1,094)	(1,339)
	<u>(1,094)</u>	<u>(18,288)</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 7. DISCONTINUED OPERATIONS *(Continued)*

#### (a) Discontinued logistics services operation

Upon commencement of the winding-up of CITIC Logistics (International) Company Limited ("CLI") on 27 December 2012, the Company lost its control over CLI, and accordingly CLI ceased to be a subsidiary of the Company. As CLI and its subsidiaries carried out all of the Group's logistics services operation, this business segment is presented as part of discontinued operations. As at the date of this report, the winding-up of CLI is still in process. Details of the winding-up of CLI are set out in the Company's annual report for the year ended 31 December 2012.

The results of the discontinued logistics services operation for the six months ended 30 June 2013 and 2012 are as follow:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Turnover	–	67,713
Cost of sales	–	(64,857)
Other income	–	525
Distribution costs	–	(4,840)
Administrative expenses	–	(16,195)
Share of results of an associate	–	705
	<hr/>	<hr/>
Loss before taxation	–	(16,949)
Taxation	–	–
	<hr/>	<hr/>
Loss for the period	–	(16,949)
	<hr style="border-top: 3px double #000;"/>	<hr style="border-top: 3px double #000;"/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 7. DISCONTINUED OPERATIONS *(Continued)*

#### (a) Discontinued logistics services operation *(Continued)*

The loss for the period from discontinued logistics services operation includes the following:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of property, plant and equipment	–	9,294
Bank interest income	–	(220)
Interest income on finance leases	–	(6)
Investment income	–	(135)
Interest income from a related company	–	(58)
Interest income from advances	–	(77)
Impairment loss on trade and bills receivables	–	5,174
Impairment loss on other receivables	–	228
Net loss on disposals of property, plant and equipment	–	59
Net exchange loss	–	940
	<b>–</b>	<b>940</b>

Net cash (outflows) inflows on discontinued logistics services operation are as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Operating activities	–	(13,228)
Investing activities	–	5,723
	<b>–</b>	<b>(7,505)</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 7. DISCONTINUED OPERATIONS *(Continued)*

#### (b) Discontinued property investment operation

On 11 November 2012, the Group entered into a sales and purchase agreement with an independent third party to dispose of an investment property owned by a subsidiary of the Company for a consideration of HK\$285,000,000 (the "Property Disposal"). The Property Disposal was approved by independent shareholders in a special general meeting on 6 November 2012 and the completion of the Property Disposal took place on 3 April 2013. As the Property Disposal constituted a separate major line of business, the disposal of the property investment operation is presented as part of discontinued operations. Details of the Property Disposal are set out in the Company's circular dated 22 October 2012 and annual report for the year ended 31 December 2012.

The results of the discontinued property investment operation for the six months ended 30 June 2013 and 2012 are as follow:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Administrative expenses	<b>(805)</b>	(531)
Gain on disposal of an investment property (note i)	<b>76</b>	–
Finance costs (note ii)	<b>(365)</b>	(808)
Loss before taxation	<b>(1,094)</b>	(1,339)
Taxation	<b>–</b>	–
Loss for the period	<b>(1,094)</b>	(1,339)

Notes:

- (i) The amount for the six months ended 30 June 2013 represented the gain on disposal of an investment property classified as held for sale as at 31 December 2012 after netting off the transaction costs (note 13).
- (ii) The amount for the six months ended 30 June 2013 and 2012 represented the borrowing costs on bank borrowings classified as liabilities associated with non-current asset classified as held for sale as at 31 December 2012 (note 13).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 7. DISCONTINUED OPERATIONS *(Continued)*

#### (b) Discontinued property investment operation *(Continued)*

The loss for the period from discontinued property investment operation includes the following:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of property, plant and equipment	4	7
Write-offs of property, plant and equipment	33	–
Borrowing costs on bank borrowings not wholly repayable within five years	365	808
	<b>402</b>	<b>815</b>

Net cash (outflows) inflows on discontinued property investment operation are as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Operating activities	(533)	(553)
Investing activities	250,576	–
Financing activities	(144,002)	(5,570)
	<b>106,041</b>	<b>(6,123)</b>

### 8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 9. LOSS PER SHARE

#### From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the loss for the period from continuing and discontinued operations of approximately HK\$6,557,000 (six months ended 30 June 2012: approximately HK\$71,984,000) and the weighted average number of approximately 11,966,699,000 (six months ended 30 June 2012: approximately 11,952,708,000) ordinary shares in issue during the period.

#### From continuing operation

The calculation of the basic and diluted loss per share from continuing operation attributable to the owners of the Company is based on the loss for the period from continuing operation of approximately HK\$5,463,000 (six months ended 30 June 2012: approximately HK\$54,633,000) and the weighted average number of approximately 11,966,699,000 (six months ended 30 June 2012: approximately 11,952,708,000) ordinary shares in issue during the period.

#### From discontinued operations

Basic and diluted loss per share for the discontinued operations attributable to the owners of the Company is HK0.009 cents per share for the six months ended 30 June 2013 (six months ended 30 June 2012: HK0.145 cents per share), based on the loss for the period from the discontinued operations of approximately HK\$1,094,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: approximately HK\$17,351,000) and the denominators detailed above for both basic and diluted loss per share.

For the six months ended 30 June 2013 and 2012, the diluted loss per share is the same as the basic loss per share.

The computation of diluted loss per share for the six months ended 30 June 2013 and 2012 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price for shares. The computation of diluted loss per share for the six months ended 30 June 2013 and 2012 did not assume the conversion of the Company's outstanding convertible notes as the conversion of convertible notes would result in a decrease in loss per share.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group spent approximately HK\$17,042,000 (six months ended 30 June 2012: approximately HK\$445,000) mainly for the acquisition of plant and machinery in order to increase production capacity.

Property, plant and equipment with a net carrying value of approximately HK\$519,000 were disposed of by the Group during the six months ended 30 June 2013 (six months ended 30 June 2012: approximately HK\$7,729,000), resulting in a net loss on disposals of approximately HK\$519,000 (six months ended 30 June 2012: net gain on disposals of approximately HK\$530,000).

### 11. INTERESTS IN JOINT VENTURES

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Cost of unlisted investments in joint ventures	5,998	–
Share of post-acquisition losses and other comprehensive expenses	(2)	–
	<b>5,996</b>	–

At 30 June 2013, the Group had interests in the following joint ventures:

Name of the entity	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued share capital held by the Group		Principal activity
					Direct	Indirect	
Semtech International (B.V.I.) Limited ("Semtech BVI")	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50%*	–	Investment holding
Semtech Electronics Limited ("Semtech Electronics")	Incorporated	Hong Kong	Hong Kong	Ordinary	–	50%*	Trademark holding

\* Being wholly-owned subsidiaries of the Group as at 31 December 2012.

Since the disposal of 50% equity interest in Semtech BVI as set out in note 18, the Group's remaining 50% equity interest in Semtech BVI and its wholly-owned subsidiary, Semtech Electronics (collectively referred as "Semtech BVI Group") have been classified as joint ventures on the basis that certain significant decisions about the financial and operating activities of Semtech BVI require the unanimous consent of both the Group and the other shareholder.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 12. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 120 days (31 December 2012: 30 to 180 days) to its trade customers.

The following is an aged analysis of trade and bills receivables, net of impairment, presented based on the due date at the end of the reporting period:

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Current	<b>179,982</b>	164,970
Overdue:		
– Within 3 months	<b>11,609</b>	10,591
– 4 - 6 months	<b>2,604</b>	4,375
– 7 - 12 months	<b>1,125</b>	939
	<b>195,320</b>	180,875

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 13. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

As mentioned in note 7b, on 11 November 2012, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property at a consideration of HK\$285,000,000 and the completion of the Property Disposal took place on 3 April 2013.

The major classes of asset and liabilities classified as held for sale as at 31 December 2012, which have been presented separately in the condensed consolidated statement of financial position, are as follows:

	31 December 2012 HK\$'000 (Audited)
Investment property (note a) and total asset classified as held for sale	279,000
Secured bank borrowings (note b)	143,564
Other payables and accruals	73
Total liabilities associated with non-current asset classified as held for sale	143,637

Notes:

- (a) The investment property classified as held for sale at 31 December 2012 has been pledged to secure bank borrowings (note b) of the Group.
- (b) During the six months ended 30 June 2013, the Group repaid bank borrowings of approximately HK\$143,564,000 (six months ended 30 June 2012: approximately HK\$4,758,000).

At 31 December 2012, the bank borrowings are secured by the Group's investment property classified as held for sale with carrying value of approximately HK\$279,000,000 (30 June 2013: nil) and corporate guarantee provided by the Company. The corporate guarantee was released upon the repayment of the secured bank borrowings during the six months ended 30 June 2013.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 14. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the due date at the end of the reporting period:

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Current	<b>77,955</b>	67,723
Overdue:		
– Within 3 months	<b>8,555</b>	31,922
– 4 - 6 months	<b>272</b>	116
– 7 - 12 months	<b>42</b>	213
	<b>86,824</b>	99,974

### 15. FINANCIAL GUARANTEE LIABILITIES

During the six months ended 30 June 2013, the Company fully settled the balance. On the date of settlement, provision for financial guarantees amounted to approximately HK\$8,560,000.

### 16. CONVERTIBLE NOTES

The imputed interest expenses charged on the convertible notes for the six months ended 30 June 2013 amounted to approximately HK\$9,928,000 (six months ended 30 June 2012: approximately HK\$9,253,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 17. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 30 June 2013	30,000,000	300,000
Issued and fully paid:		
At 1 January 2012	11,754,510	117,545
Issue of shares for settlement of remaining consideration for acquisition of subsidiaries (note)	212,189	2,122
At 31 December 2012 and 30 June 2013	11,966,699	119,667

Note:

On 20 January 2012, 212,189,000 ordinary shares of HK\$0.01 each were issued at HK\$0.103 per share, the closing market price at the date of completion of the acquisition of entire equity interest in Sino Summit Investments Limited and 30% equity interest in CITIC Logistics Company Limited (collectively referred to as the "CLBJ Acquisition") on 7 November 2011, as settlement of the remaining consideration for the CLBJ Acquisition. These new shares issued ranked pari passu with other shares then in issue in all respects. The premium arising from the issue of these new shares of approximately HK\$19,734,000 was credited to the share premium account. No direct issue costs related to the issue of these new shares were allocated as the directors of the Company were of the opinion that the amount was insignificant.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 18. LOSS OF CONTROL OVER SUBSIDIARIES

On 31 May 2013, a directly wholly-owned subsidiary, Sino-Tech International (B.V.I.) Limited ("ST-BVI") as vendor, and an independent third party as purchaser (the "Purchaser") entered into a sales and purchase agreement, pursuant to which, ST-BVI disposed of 50% equity interest in Semtech BVI at a cash consideration of HK\$5,000,000 (the "Semtech Disposal"). The completion of the Semtech Disposal took place on 31 May 2013, after which the Group retained 50% equity interest in Semtech BVI Group, and Semtech BVI Group became joint ventures of the Group as certain significant decisions about the financial and operating activities of Semtech BVI require the unanimous consent of both the Group and the Purchaser in accordance with the shareholders' agreement.

The net liability of the Semtech BVI Group over which control was lost at the date of completion of the Semtech Disposal and the gain on loss of control were as follows:

#### Analysis of net liability over which control was lost:

	<b>31 May 2013</b>
	HK\$'000
	(Unaudited)
Accrued expenses and net liability disposed of	4

#### Gain on loss of control over subsidiaries:

	HK\$'000
	(Unaudited)
Cash consideration received	5,000
Remeasurement of retained 50% equity interest at its fair value (note)	5,998
Net liability disposed of	4
Gain on loss of control over subsidiaries	11,002

#### Cash inflow arising on partial disposal of subsidiaries:

	HK\$'000
	(Unaudited)
Cash consideration received	5,000

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2013

### 18. LOSS OF CONTROL OVER SUBSIDIARIES (Continued)

Note:

The Semtech BVI Group is the registered owner of various trademarks. The fair value of Semtech BVI Group at 31 May 2013 amounts to approximately HK\$11,996,000 comprising the fair value of trademarks and accrued expenses in amounts of HK\$12,000,000 and approximately HK\$4,000, respectively. The fair value of trademarks, measured by Asset Appraisal Limited, an independent professional valuer not connected with the Group, is determined using the income approach. The following are the key model inputs used in determining the fair value:

- assumed discount rate of 19.28%; and
- assumed revenue growth rate of 10% for the first three years and revenue growth rate of 3% for periods beyond three years.

### 19. RELATED PARTY TRANSACTIONS

During the current interim period, the Group had the following transactions with related parties.

- (a) The following balances were outstanding at the end of the reporting period:

	Amounts due from related parties		Amounts due to related parties	
	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
A joint venture	5	-	-	-
Directors' emoluments payable (included in other payables)	-	-	1,321	571
Former subsidiaries (note)	-	-	7,405	7,405
	<b>5</b>	<b>-</b>	<b>7,405</b>	<b>7,405</b>

Note:

After the deconsolidation of the subsidiaries, the directors of the Company conducted a review on the recoverable amount of the balances due from former subsidiaries and considered that the entire amount was irrecoverable due to the insolvency of these former subsidiaries. Accordingly, full impairment losses of approximately HK\$178,906,000 were made during the year ended 31 December 2012 (six months ended 30 June 2013: nil).

The amounts were unsecured, interest-free and repayable on demand.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 19. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) During the six months ended 30 June 2012, interest income from SUN International Investment Holdings Limited, a company with 40% equity interest indirectly held by the then director of the Company, amounted to approximately HK\$58,000 (six months ended 30 June 2013: nil). The interest income was charged according to the logistics services agreement entered into.
- (c) During the six months ended 30 June 2012, logistics services income from the then associate amounted to approximately HK\$13,922,000 (six months ended 30 June 2013: nil). The logistics services income was charged according to mutually agreed terms.
- (d) The remuneration of directors of the Company and other members of key management during the period was as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term benefits	<b>7,210</b>	4,505
Post-employment benefits	<b>367</b>	166
	<b>7,577</b>	4,671

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2013

### 20. CONTINGENT LIABILITIES AND COMMITMENTS

- (a) On 15 July 2009, one of the subsidiaries of Classic Line International Limited ("Classic Line"), a former subsidiary of the Company, has been and is the subject of a judgment (in the amount of US\$13.5 million) obtained in a United States court in an action in respect of damages allegedly arising out of use of fire lighters sold by the subsidiary of Classic Line. The Company is one of the co-defendants in the case. On 28 September 2009, the Company entered into an agreement to dispose of the entire equity interest in Classic Line and the disposal was completed on 31 October 2009.

Based on the legal advice received by the Company, the directors of the Company considered that the Company has valid grounds in opposing the enforcement of any judgment of the said case against the Company, if obtained, in Hong Kong and Bermuda. Accordingly, no provision has been made in the condensed consolidated financial statements.

- (b) At 30 June 2013, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of a motor vehicle amounted to approximately HK\$633,000 (31 December 2012: nil).

### 21. COMPARATIVE FIGURES

The presentation of comparative information in respect of the condensed consolidated statement of profit or loss and statement of profit or loss and other comprehensive income for the six months ended 30 June 2012 has been restated in order to disclose the discontinued operations separately from continuing operation.