



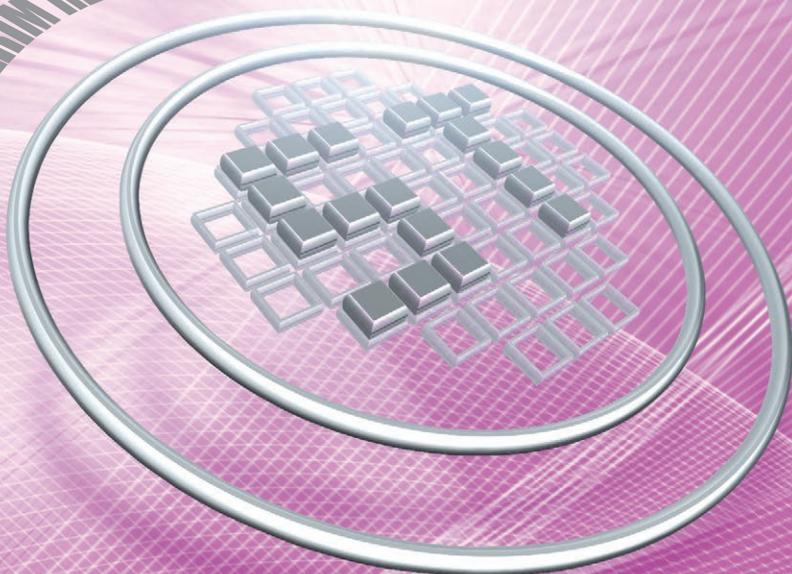
泰豐國際集團有限公司*

Sino-Tech International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

2014 INTERIM REPORT



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lam Yat Keung (*President*)
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. Wang Zhaofeng
Professor Ma Hongwei

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Chun Fat

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

Codan Services Limited
Clarendon House
2 Church Street
PO Box HM1022
Hamilton HM DX
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 724

WEBSITE

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 2014, 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 2014 (the "Reporting Period"), the Group recorded a turnover from continuing operation of approximately HK\$304.8 million, representing a decrease of 5.5% as compared with approximately HK\$322.7 million for the six months ended 30 June 2013 (the "Corresponding Period").

Loss from continuing operation for the Reporting Period increased to approximately HK\$16.0 million from approximately HK\$5.5 million in the Corresponding Period. Loss attributable to owners of the Company was approximately HK\$16.0 million for the Reporting Period as compared with approximately HK\$6.6 million in the Corresponding Period. The loss for the Reporting Period was mainly attributable to the imputed interest expenses on convertible notes, the decrease in the profit from the electronic products segment and the compensation for the loss of office by a former director and chief executive officer of the Company ("CEO"). The Group's loss for the Reporting Period, however, was partly offset by the first interim dividend received from CITIC Logistics (International) Company Limited ("CLI"), which is in the process of winding up.

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\$5.3 million in the Reporting Period, as compared with a net loss of approximately HK\$7.6 million in the Corresponding Period.

Financial Highlights

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Turnover from continuing operation	304,835	322,661
Gross profit from continuing operation	18,975	23,669
Loss for the period from continuing operation	(15,969)	(5,463)
Loss for the period from discontinued operation	–	(1,094)
Loss for the period	(15,969)	(6,557)
Gain on loss of control over subsidiaries	–	11,002
Imputed interest expenses on convertible notes	(10,682)	(9,928)
Net loss for the period before gain on loss of control over subsidiaries and imputed interest expenses on convertible notes	(5,287)	(7,631)

Interim Dividend

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).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The electronic products segment (the continuing operation of the Group) recorded a decrease of 5.5% in turnover to approximately HK\$304.8 million in the Reporting Period from approximately HK\$322.7 million in the Corresponding Period. The decrease was mainly attributable to the drop in turnover from the People's Republic of China (the "PRC" or "China") and other Asia Pacific markets, as the continued slowdown of the PRC economy posed a negative impact on the semiconductor industry in general. The price and profit margin of electronic products have been going downtrend, which weakened the electronic products segment's profitability and resulted in the decrease in the overall gross profit to cover the fixed production costs. During the Reporting Period, the electronic products segment reported a profit of approximately HK\$2.1 million in terms of contribution to segment results as compared with approximately HK\$6.3 million in the Corresponding Period.

During the Corresponding Period, a gain of approximately HK\$11.0 million was recorded upon the disposal of 50% equity interest in a subsidiary of the Company to an independent third party. However, no similar gain was recorded for the Reporting Period. As at the date of this report, the winding-up of CLI is still in process. During the Reporting Period, as informed by the liquidators of CLI, the entire 90% equity interest in CITIC Logistics Company Limited was being disposed of. The Group received from CLI the first interim dividend of approximately HK\$6.7 million in respect of the admitted claims against CLI by the Company and Top Victory Industries Limited (a wholly-owned subsidiary of the Company), both are the creditors of CLI. At this stage, the Company is unable to ascertain the extent of recovery from CLI for the remaining balance given that CLI is still in the process of winding up. During the Reporting Period, the Company made the compensation of approximately HK\$4.1 million for the loss of office by a former director and CEO.

As set out in note 1 to the condensed consolidated financial statements, on 19 November 2009, the Company issued unsecured convertible notes for the partial settlement of the consideration for the acquisition of CLI. As at 30 June 2014, the principal amount of convertible notes remained outstanding was HK\$302.4 million and the maturity date is 15 November 2014. In addition, the Group incurred a loss of approximately HK\$16.0 million for the Reporting Period and does not forecast that it can fully redeem the outstanding convertible notes by their maturity date (the "CN Issue"). During the Reporting Period, however, the convertible notes holder indicated that he would not request the Company to redeem the convertible notes prior to 31 December 2014 causing the Company insolvent, as reported in the 2013 Annual Report of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

The Company has engaged a financial adviser to actively negotiate with the convertible notes holder on the CN Issue, and at the same time, the Company is also considering fund raising possibilities. The directors of the Company are hopeful that the CN Issue can be resolved amicably and the Group will be able to maintain itself as a going concern in the coming year. Accordingly, the condensed consolidated financial statements for the Reporting Period have been prepared on a going concern basis.

Liquidity, Financial Resources and Capital Structure

The Group mainly finances its business operations with internally generated cash flows and shareholders' equity.

As at 30 June 2014, the Group had bank balances and cash of approximately HK\$55.8 million (31 December 2013: approximately HK\$80.5 million). The Group's current ratio (measured as total current assets to total current liabilities) was 1.0 time (31 December 2013: 1.0 time).

As at 30 June 2014, the Group had no outstanding bank borrowings (31 December 2013: nil). The gearing ratio, which is calculated by total interest bearing borrowings to total equity, was nil (31 December 2013: nil).

As at 30 June 2014, the Company had zero coupon convertible notes due on 15 November 2014 in the aggregate principal amount of HK\$302.4 million (31 December 2013: HK\$302.4 million) with an initial conversion price of HK\$0.12 per conversion share. During the Reporting Period, the convertible note holder indicated that he would not request the Company to redeem the convertible notes prior to 31 December 2014 causing the Company insolvent as reported in the 2013 Annual Report of the Company.

As at 30 June 2014, the Group had no capital expenditure commitments (31 December 2013: approximately HK\$4.0 million in respect of the acquisition of property, plant and equipment).

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

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

Charge on Group's Assets

As at 30 June 2014, the Group did not have any assets pledged (as at 31 December 2013: nil).

Foreign Exchange Exposures

The Group mainly earns revenue and incurs costs in Hong Kong dollars, U.S. 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 U.S. 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 U.S. dollars remains in effect.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 17 to the condensed consolidated financial statements.

Employee and Remuneration Policy

As at 30 June 2014, the Group had 966 (30 June 2013: 1,799) full time employees in Hong Kong and the PRC. Total staff costs (including Directors' remuneration) for the Reporting Period amounted to approximately HK\$18.5 million (six months ended 30 June 2013: approximately HK\$14.6 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, 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

The global recovery regained strength in the second quarter of 2014, with the U.S. economy expanding by an annualised growth of 4.2% as compared with an annualised decline of 2.1% in the first quarter. According to the International Monetary Fund (the "IMF"), the global rebound in the second quarter is consistent with the view that the unexpected weakness in the first quarter was in large part temporary, because the impact of factors such as harsh winter weather and inventory correction will disappear and policies have already responded to weaker growth, including in China. Nonetheless, the first-quarter setback will only be partially offset as some of the demand weakness appears to be more persistent, especially in investment globally. To reflect both the legacy of the weak first quarter and a less optimistic outlook for several emerging markets, the IMF has marked down the global growth projection for 2014 by 0.3 percent points to 3.4%.

The IMF warned that downside risks remained a concern including geopolitical risks and financial market risks such as higher-than-expected U.S. long-term rates and a reversal of recent risk spread and volatility compression. Global growth could be weaker for longer, given the lack of robust momentum in advanced economies despite very low interest rates and the easing of other brakes to the recovery. In some major emerging market economies, the negative growth effects of supply-side constraints and the tightening of financial conditions over the past year could be more protracted. According to a report dated 11 August 2014 in the Financial Times (the "FT"), the Federal Reserve's (the "Fed") vice-chairman, Stanley Fischer, has pointed to weak labour force participation and a soft U.S. housing recovery as two reasons for disappointing global growth, saying this could be a long-term phenomenon. The comments reflected continuing concern about the economy that has fuelled debate over whether the Fed should move sooner than expected to raise interest rates, despite solid job growth and strong GDP expansion in the U.S..

China's economy grew by 7.5% in the second quarter of 2014, accelerating slightly from the 18-month low of 7.4% in the first quarter and suggesting that stimulus efforts to stabilise growth have succeeded in offsetting the impact of a weak property market. China has sought to stimulate growth through limited and targeted policy measures including tax relief for small and medium enterprises, fiscal and infrastructure spending, and targeted cuts in required reserve ratio. As a further evidence that the economy is gaining momentum, the official manufacturing purchasing managers' index rose to 51.7 in July 2014, the fastest pace in 27 months and up from 51 in June 2014. Economists expect Beijing to continue its mini-stimulus measures in a bid to hold economic growth above the central government's bottom line given that it needs a stable economic and financial backdrop as it steps up its anti-corruption campaign.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Future Outlook *(Continued)*

Despite the rebound in the second quarter, economists have warned that supporting short-term growth could come at the expense of continuing China's reliance on state-backed investment and adding to its worrying debt load, according to a report dated 16 July 2014 in the FT. While forecasting that China is likely to meet its annual target of around 7.5% this year, the IMF has urged Beijing to lower its growth target next year. As per a report dated 31 July 2014 in the South China Morning Post, the IMF warned China about the risks of relying on credit and investment expansion to defend a targeted growth rate at the cost of creating prolonged structural weakness in the economy. China remains heavily reliant on capital spending and credit, which has sustained rapid growth, but declining efficiency of investment, a significant buildup of debt, income inequality and environmental costs are threatening growth prospects.

Against this backdrop, the operating environment for manufacturers in the PRC is likely to remain challenging. Two key drivers of electronics and semiconductor growth over the last few years have been smartphones and tablets. Although both smartphones and tablets are expected to show healthy growth for the year of 2014, growing competition, market fluctuations and economic uncertainties may affect product demand and customer orders. Profit margin of the Group's electronic products has been squeezed by growing competition within the industry, fixed production costs as well as the increasing wages rate and continuous shortage of labour. As a result, the Group takes a cautious view of its business in the second half of 2014. The Group foresees that the turnover for the electronic products segment may continue to be affected in the second half of 2014.

In order to improve the operational performance of the electronic products segment, the Group will continue to impose conservative and stringent cost controls over its production costs. The Group will also streamline the operation and outsource the production process in order to lower the overall production costs. The Group will endeavour to trim excess manufacturing overheads, control production costs and improve productivity in view of the imminent raise in minimum wages rate and production costs for the PRC in the coming future.

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

As at 30 June 2014, the interests and short positions of the Directors and chief executive 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (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 Yat Keung (Note 1)	Interest of family	612,400,000	5.12%
Mr. Huang Hanshui (Note 2)	Beneficial owner	86,827,895	0.73%

Notes:

1. Mr. Lam Yat Keung, an executive Director, is deemed interested in 612,400,000 shares owned by Smart Number Investments Limited ("Smart Number"). Smart Number is incorporated in the British Virgin Islands and its entire issued share capital is 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 (the brother-in-law of Mr. Lam Yat Keung).
2. Mr. Huang Hanshui, an executive Director, has a derivative interest in 86,827,895 shares pursuant to share options granted to him on 6 December 2010.

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)

Save as disclosed above, as at 30 June 2014, none of the Directors, chief executive 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 2014, 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 executive 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%
Mr. Lam Hung Kit	Interest of controlled corporation	612,400,000	5.12%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

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

Notes:

1. Mr. Li Weimin is 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 the principal amount of HK\$302,400,000.
2. The entire issued share capital of Smart Number is 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 (the brother-in-law of Mr. Lam Yat Keung).

Save as disclosed above, the Company had not been notified 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 2014.

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 9 June 2014 ("AGM").

SHARE OPTION SCHEME (Continued)

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 2014 '000
			Outstanding at 1 January 2014 '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	-	-	(113,142)	965,651
Exercisable at the end of the Reporting Period							965,651
Weighted average exercise price			HK\$0.131	-	-	HK\$0.098	HK\$0.135

* The participant, Mr. Lim Chuan Yang ("Mr. Lim"), retired as an executive Director with effect from 9 June 2014 and stepped down as the CEO with effect from 16 June 2014. Pursuant to the provisions of the Scheme, share options granted to Mr. Lim lapsed on 16 June 2014.

The share options outstanding as at 30 June 2014 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 PRACTICES

During the Reporting Period, the Company has applied the principles of and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules except for the following deviations:

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, an independent non-executive Director, 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 six Directors.

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Given that Mr. Lim was not re-elected as a Director at the AGM, the Board resolved that Mr. Lim should step down as the CEO with effect from 16 June 2014. The Board is presently identifying a suitable candidate to be appointed as the CEO. Prior to identifying a suitable candidate, the duties and responsibilities of the CEO will be shared among the members of the Board.

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 of 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

As stated in the circular of the Company dated 22 April 2014, Mr. Lim retired by rotation at the AGM in accordance with the Bye-laws. As resolution for his re-election was not passed by the shareholders of the Company at the AGM, Mr. Lim retired as an executive Director and ceased to be a member of the nomination committee of the Company (the "Nomination Committee") with effect from 9 June 2014. In addition, with effect from 16 June 2014, Mr. Lim stepped down as the CEO and Mr. Wang Zhaofeng, an executive Director has been appointed as a member of the Nomination Committee.

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 (the "Audit Committee") 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 members of the Audit Committee are Mr. Ho Chi Fai (Chairman of the Audit Committee), Ms. Liu Yangfang and Professor Ma Hongwei, the independent non-executive Directors.

GOING CONCERN BASIS

As at 30 June 2014, the principal amount of convertible notes remained outstanding was HK\$302.4 million and the maturity date is 15 November 2014. In addition, the Group incurred a loss of approximately HK\$16.0 million for the Reporting Period and does not forecast that it can fully redeem the outstanding convertible notes by their maturity date. However, during the Reporting Period, the convertible notes holder indicated that he would not request the Company to redeem the convertible notes prior to 31 December 2014 causing the Company insolvent, as reported in the 2013 Annual Report of the Company. The directors of the Company are hopeful that the CN Issue can be resolved amicably and the Group will be able to maintain itself as a going concern in the coming year. Accordingly, the condensed consolidated financial statements for the Reporting Period have been prepared on a going concern basis. Details are set out in the paragraphs headed "Business and Financial Review" in Management Discussion and Analysis on page 3 of this report and in note 1 to the condensed consolidated financial statements.

COMPANY SECRETARY

The Company engages Mr. Chan Chun Fat (“Mr. Chan”) as its Company Secretary. Mr. Chan is a practicing solicitor and in performing his duties as the company secretary of the Company, he reports to the Board and maintains contacts with Mr. Huang Hanshui, an executive Director, in relation to the corporate secretarial matters 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, 29 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Continuing operation			
Turnover	3	304,835	322,661
Cost of sales		<u>(285,860)</u>	<u>(298,992)</u>
Gross profit		18,975	23,669
Other income		7,543	76
Gain on loss of control over subsidiaries	15	–	11,002
Distribution costs		(5,353)	(6,517)
Administrative expenses		(26,447)	(23,502)
Share of results of joint ventures		(5)	(2)
Provision for financial guarantees		–	(260)
Finance costs	4	<u>(10,682)</u>	<u>(9,929)</u>
Loss before taxation	5	(15,969)	(5,463)
Taxation	6	–	–
Loss for the period from continuing operation		<u>(15,969)</u>	<u>(5,463)</u>
Discontinued operation			
Loss for the period from discontinued operation		–	<u>(1,094)</u>
Loss for the period		<u>(15,969)</u>	<u>(6,557)</u>
Loss for the period attributable to owners of the Company		<u>(15,969)</u>	<u>(6,557)</u>
Loss per share			
From continuing and discontinued operations	8		
Basic and diluted (HK cents)		<u>(0.133)</u>	<u>(0.055)</u>
From continuing operation			
Basic and diluted (HK cents)		<u>(0.133)</u>	<u>(0.046)</u>

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 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period	<u>(15,969)</u>	<u>(6,557)</u>
Other comprehensive income (expenses) Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations		
Exchange gain (loss) arising during the period	<u>38</u>	<u>(49)</u>
Other comprehensive income (expenses) for the period	<u>38</u>	<u>(49)</u>
Total comprehensive expenses for the period attributable to owners of the Company	<u>(15,931)</u>	<u>(6,606)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	37,981	46,299
Interests in joint ventures	10	5,986	5,991
Deposits paid for acquisition of property, plant and equipment		–	470
		43,967	52,760
Current assets			
Inventories		117,796	136,779
Trade and bills receivables	11	201,225	194,157
Prepayments, deposits and other receivables		1,939	1,917
Amount due from a joint venture		26	10
Amounts due from former subsidiaries		–	–
Tax recoverable		4,910	2,515
Deposits in other financial institutions		446	446
Bank balances and cash		55,838	80,462
		382,180	416,286
Current liabilities			
Trade and bills payables	12	56,574	94,358
Other payables and accruals		14,928	11,830
Amounts due to former subsidiaries		4,417	7,379
Obligations under finance leases		5	5
Convertible notes	13	294,141	283,459
		370,065	397,031
Net current assets		12,115	19,255
Total assets less current liabilities		56,082	72,015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2014

	Note	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current liabilities			
Obligations under finance leases		2	4
Employee benefits		101	101
		<u>103</u>	<u>105</u>
Net assets		<u>55,979</u>	<u>71,910</u>
Capital and reserves			
Share capital	14	119,667	119,667
Reserves		(63,688)	(47,757)
		<u>55,979</u>	<u>71,910</u>
Total equity		<u>55,979</u>	<u>71,910</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus (note) HK\$'000	Share-based compensation reserve HK\$'000	Foreign exchange reserve HK\$'000	Convertible notes reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	119,667	2,210,494	5,800	43,722	(55)	92,707	(2,400,425)	71,910
Loss for the period	-	-	-	-	-	-	(15,969)	(15,969)
Other comprehensive income for the period	-	-	-	-	38	-	-	38
Total comprehensive expenses for the period	-	-	-	-	38	-	(15,969)	(15,931)
Share options lapsed	-	-	-	(3,676)	-	-	3,676	-
At 30 June 2014 (unaudited)	119,667	2,210,494	5,800	40,046	(17)	92,707	(2,412,718)	55,979

For the six months ended 30 June 2013

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

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 2014

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash used in operating activities	(24,081)	(46,553)
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 loss of control over subsidiaries (note 15)	–	5,000
Repayment from a former subsidiary	6,662	–
Other investing cash flows	(4,315)	(13,667)
	2,347	241,909
Net cash used in financing activities		
Repayment of secured bank borrowings	–	(143,564)
Repayment to a former subsidiary	(2,948)	–
Other financing cash flows	(2)	(442)
	(2,950)	(144,006)
Net (decrease) increase in cash and cash equivalents	(24,684)	51,350
Cash and cash equivalents at beginning of the period	80,462	41,859
Effect of foreign exchange rate changes	60	(76)
Cash and cash equivalents at end of the period, representing bank balances and cash	55,838	93,133

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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.

Going concern basis

In preparing the condensed consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group.

The Group incurred a loss of approximately HK\$15,969,000 for the six months ended 30 June 2014. In addition, the convertible notes with outstanding principal amount of HK\$302,400,000 will be matured on 15 November 2014 but the Group does not forecast that it can fully redeem the outstanding convertible notes by their maturity date (the “CN Issue”). The directors of the Company are of the opinion that it is still appropriate to prepare the condensed consolidated financial statements for the six months ended 30 June 2014 on a going concern basis by taking into consideration of the following.

During the Reporting Period, the Company has received a letter of undertaking from the sole holder of convertible notes who indicated that he would not request the Company to redeem the convertible notes prior to 31 December 2014 causing the Company insolvent. The Company has engaged a financial adviser to actively negotiate with the convertible notes holder on the CN Issue, and at the same time, the Company is also considering fund raising possibilities. The directors of the Company are hopeful that the CN Issue can be resolved amicably and the Group will be able to maintain itself as a going concern in the coming year. The condensed consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

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

For the six months ended 30 June 2014

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to 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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation 21	Levies

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

The application of the new interpretation and amendments to HKFRSs in the current interim period has had no material impact 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 2013, following the discontinuation of the property investment operation, 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 operation
 - Property investment segment engages in properties investments.

Turnover from continuing operation represents revenue arising from 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 2014

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 operation		Total	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
For the six months ended 30 June						
Sales to external customers	304,835	322,661	–	–	304,835	322,661
Other income	862	67	–	76	862	143
Total segment revenue	305,697	322,728	–	76	305,697	322,804
Contribution to segment results	2,109	6,321	–	(1,094)	2,109	5,227
Gain on loss of control over subsidiaries	–	11,002	–	–	–	11,002
Segment results	2,109	17,323	–	(1,094)	2,109	16,229
Unallocated corporate income					6,681	9
Share of results of joint ventures					(5)	(2)
Unallocated corporate expenses					(14,072)	(12,864)
Finance costs					(10,682)	(9,929)
Loss before taxation					(15,969)	(6,557)

4. FINANCE COSTS

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Continuing operation		
Borrowing costs on obligations under finance leases	–	1
Imputed interest expenses on convertible notes	10,682	9,928
	10,682	9,929

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2014

5. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Continuing operation		
Bank interest income	(5)	(5)
Depreciation of property, plant and equipment	13,265	13,300
Net exchange loss	58	783
Net (gain) loss on disposals of property, plant and equipment	(204)	519
Recovery of trade receivables previously written off	–	(37)
Reversal of impairment loss on trade receivables	–	(28)
Reversal of impairment loss on amount due from a former subsidiary	(6,662)	–
Reversal of impairment loss on other receivables	(14)	–
Write-offs of property, plant and equipment	9	16

6. TAXATION

Continuing operation

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2014 and 2013 as the Group either has no assessable profits arising in Hong Kong or has 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 a subsidiary of the Company in respect of its Hong Kong Profits Tax payable for the years of assessment 2006/07 to 2011/12 (the "Tax Enquiries"). 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 relevant 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 31 December 2013 and 30 June 2014.

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

For the six months ended 30 June 2014

6. TAXATION *(Continued)*

Continuing operation *(Continued)*

During the six months ended 30 June 2014, in respect of the Tax Enquiries, as the assessment for the year of assessment 2007/08 would be statutorily time-barred by 31 March 2014, a protective assessment of approximately HK\$2,395,000 was raised by the IRD on 18 March 2014. The relevant 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 2014.

Under the Law of the People's Republic of China (the "PRC" or "China") 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 2014 and 2013. No provision for the Enterprise Income Tax have been made for the six months ended 30 June 2014 and 2013 as the subsidiary of the Company has no assessable profits.

7. 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 2014 (six months ended 30 June 2013: nil).

8. 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\$15,969,000 (six months ended 30 June 2013: approximately HK\$6,557,000) and the weighted average number of approximately 11,966,699,000 (six months ended 30 June 2013: approximately 11,966,699,000) 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\$15,969,000 (six months ended 30 June 2013: approximately HK\$5,463,000) and the weighted average number of approximately 11,966,699,000 (six months ended 30 June 2013: approximately 11,966,699,000) ordinary shares in issue during the period.

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

For the six months ended 30 June 2014

8. LOSS PER SHARE *(Continued)*

From discontinued operation

For the six months ended 30 June 2013, both basic and diluted loss per share from the discontinued operation attributable to the owners of the Company was HK0.009 cents per share (six months ended 30 June 2014: nil), based on the loss for the period from the discontinued operation of approximately HK\$1,094,000 for the six months ended 30 June 2013 (six months ended 30 June 2014: nil) and the denominators detailed above for both basic and diluted loss per share.

For the six months ended 30 June 2014 and 2013, 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 2014 and 2013 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 2014 and 2013 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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group spent approximately HK\$5,214,000 on the addition of leasehold improvements and others (six months ended 30 June 2013: approximately HK\$17,042,000 for the acquisition of plant and machinery).

Property, plant and equipment with a net carrying value of approximately HK\$235,000 were disposed of by the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: approximately HK\$519,000) for cash proceeds of approximately HK\$439,000 (six months ended 30 June 2013: nil), resulting in a net gain on disposals of approximately HK\$204,000 (six months ended 30 June 2013: net loss on disposals of approximately HK\$519,000).

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

For the six months ended 30 June 2014

10. INTERESTS IN JOINT VENTURES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Cost of unlisted investments in joint ventures	5,998	5,998
Share of post-acquisition losses and other comprehensive expenses	(12)	(7)
	5,986	5,991

Details of each of the Group's joint ventures, which are accounted for using the equity method in the condensed consolidated financial statements, as at 30 June 2014 and 31 December 2013, are as follows:

Name	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest and voting power held by the Group		Principal activities
					Direct	Indirect	
Semtech International (B.V.I.) Limited ("Semtech BVI")	Corporation	British Virgin Islands	Hong Kong	Ordinary	50%	-	Investment holding
Semtech Electronics Limited ("Semtech Electronics")	Corporation	Hong Kong	Hong Kong	Ordinary	-	50%	Trademark holding

Since the disposal of 50% equity interest in Semtech BVI as set out in note 15, the Group's remaining 50% equity interest in Semtech BVI and its wholly-owned subsidiary, Semtech Electronics (collectively referred to as "Semtech BVI Group") have been classified as joint ventures on the basis that certain significant decisions about the financial and operating activities of the Semtech BVI Group 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 2014

11. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 120 days (31 December 2013: 30 to 120 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 periods:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Current	171,501	163,605
Overdue:		
– within 3 months	17,422	27,067
– 4 – 6 months	11,116	2,494
– 7 – 12 months	1,186	991
	29,724	30,552
	201,225	194,157

12. 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 periods:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Current	51,802	85,958
Overdue:		
– Within 3 months	4,438	7,493
– 4 – 6 months	161	800
– 7 – 12 months	70	–
– over 12 months	103	107
	56,574	94,358

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

For the six months ended 30 June 2014

13. CONVERTIBLE NOTES

The imputed interest charged on the convertible notes for the six months ended 30 June 2014 amounted to approximately HK\$10,682,000 (six months ended 30 June 2013: approximately HK\$9,928,000).

14. SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorised ordinary shares of HK\$0.01 each:		
At 1 January 2013, 31 December 2013 and 30 June 2014	30,000,000	300,000
Issued and fully paid ordinary shares of HK\$0.01 each:		
At 1 January 2013, 31 December 2013 and 30 June 2014	11,966,699	119,667

15. 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 the Semtech BVI Group, and the 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2014

15. LOSS OF CONTROL OVER SUBSIDIARIES (Continued)

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:

	As at 31 May 2013 HK\$'000
Accrued expenses and net liability disposed of	4

Gain on loss of control over subsidiaries:

	HK\$'000
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 from loss of control over subsidiaries:

	HK\$'000
Cash consideration received	5,000

Note:

The Semtech BVI Group is the registered owner of various trademarks. The fair value of the Semtech BVI Group as at 31 May 2013 amounted 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 followings 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.

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

For the six months ended 30 June 2014

16. 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 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
A joint venture (note i)	26	10	–	–
Directors' emoluments payable (included in other payables)	–	–	6,555	910
Former subsidiaries (note ii)	–	–	4,417	7,379

Notes:

- (i) The amount due from a joint venture was unsecured, interest-free and repayable on demand.
- (ii) As at 30 June 2014, the amounts due from former subsidiaries was nil (31 December 2013: nil), net of accumulated impairment loss of HK\$172,244,000 (31 December 2013: HK\$178,906,000). During the six months ended 30 June 2014, the Group has recovered partial amount from a former subsidiary of approximately HK\$6,662,000 from liquidators of CLI (six months ended 30 June 2013: nil).

The amounts due from (to) former subsidiaries were unsecured, interest-free and repayable on demand.

- (b) As set out in note 15, the Semtech BVI Group is the registered owner of various trademarks. Those trademarks are provided for the Group's use at nil consideration.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2014

16. RELATED PARTY TRANSACTIONS (Continued)

- (c) The remuneration of directors of the Company and other members of key management during the period was as follows:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	5,995	7,210
Loss of office compensation	4,119	–
Post-employment benefits	359	367
	10,473	7,577

17. 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 judgement (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 judgement 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 2014, the Group had no capital expenditure contracted for but not provided in the condensed consolidated financial statements (31 December 2013: approximately HK\$3,997,000 in respect of acquisition of property, plant and equipment).

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial instruments, including the loans and receivables (including trade and bills receivables, deposits and other receivables, amount due from a joint venture, amounts due from former subsidiaries, deposits in other financial institutions and bank balances and cash) and financial liabilities (including trade and bills payables, other payables and accruals, amounts due to former subsidiaries, obligations under finance leases and convertible notes), are recorded at amortised cost. The directors of the Company consider that the carrying amounts of current portion of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values due to their immediate or short-term maturities. The fair value of non-current portion of finance lease equals its carrying amounts, as the impact of discounting is not significant.