



泰豐國際集團有限公司*

Sino-Tech International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 00724)

INTERIM REPORT 2010



*For Identification Purpose Only

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Li Weimin (*Chairman*)
Mr. Wang Jianzhi
Mr. Lam Yat Keung
Mr. Huang Hanshui
(appointed on 9 March 2010)
Ms. Lam Pik Wah
(resigned on 9 March 2010)
Mr. Lam Hung Kit
(resigned on 9 July 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chi Fai
Mr. Pai Te-Tsun
Ms. Liu Yanfang
(appointed on 24 June 2010)
Mr. Lo Wah Wai
(resigned on 24 June 2010)

AUDIT COMMITTEE

Mr. Ho Chi Fai
Mr. Pai Te-Tsun
Ms. Liu Yanfang
(appointed on 24 June 2010)
Mr. Lo Wah Wai
(resigned on 24 June 2010)

REMUNERATION COMMITTEE

Mr. Ho Chi Fai
Mr. Pai Te-Tsun
Ms. Liu Yanfang
(appointed on 24 June 2010)
Mr. Lo Wah Wai
(resigned on 24 June 2010)

COMPANY SECRETARY

Ms. Lee Wai Yee

LEGAL ADVISER

Baker & McKenzie

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

32/F., Entertainment Building
30 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Bank Bermuda Limited
(Formerly known as
"The Bank of Bermuda Limited")
6 Front Street
Hamilton, HM11
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.semtech.com.hk
www.irasia.com/listco/hk/sinotech

The board of directors (the "Board") of Sino-Tech International Holdings Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2010.

Results Overview

During the six months ended 30 June 2010 (the "Reporting Period"), the Group recorded a turnover from continuing operations of approximately HK\$341.8 million, representing an increase of 49.4% compared with the six months ended 30 June 2009 (the "Corresponding Period"). An after-tax loss of approximately HK\$94.7 million attributable to shareholders of the Company was reported, versus an after-tax profit of HK\$7.9 million in the Corresponding Period. The loss for the Reporting Period was mainly due to the amortisation of other intangible assets in the amount of approximately HK\$71.4 million and the imputed interest on convertible notes in the amount of approximately HK\$25.3 million (which were not present for the Corresponding Period).

The amortisation of other intangible assets and the imputed interest on convertible notes arise as a result of accounting treatment under the provisions of the applicable accounting standards and are of non-cash nature. Before the amortisation of other intangible assets and the imputed interest on convertible notes, the Group made a profit of approximately HK\$1.9 million during the Reporting Period. This compared with a profit of approximately HK\$7.9 million in the Corresponding Period.

Financial Highlights

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Turnover from continuing operations	341,789	228,813
Gross profit from continuing operations	28,319	32,113
(Loss) profit for the period from continuing operations	(94,690)	14,319
Loss for the period from discontinued operation	–	(6,446)
(Loss) profit for the period	(94,690)	7,873
Amortisation of other intangible assets	71,351	–
Imputed interest on convertible notes	25,256	–
Net profit for the period before amortisation of other intangible assets and imputed interest on convertible notes	1,917	7,873

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: HK0.1 cent per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In line with the recovery of the global economy, the turnover for the electronic products segment during the Reporting Period increased by 42.2% to approximately HK\$325.4 million compared with the Corresponding Period. However, competition in the electrical parts and electronic components market was still very keen due to the lingered impact from the global financial crisis. Segment profit dropped by 44.2% to approximately HK\$9.9 million compared with the Corresponding Period.

The performance of the electronic products segment was affected by various adverse factors. Among all it experienced a severe price fluctuation in material costs and a substantial rise in labour costs due to serious labour shortages in Dongguan, Guangdong Province, the PRC. The increased demand in compliance with safety regulations resulted in an apparent decline in economic efficiency and brought difficulties to the production and operations of the electronic products segment.

Turnover and profit contributions for the logistics services segment were approximately HK\$16.4 million and HK\$0.8 million, respectively, during the Reporting Period. Contributions from CITIC Logistics (International) Company Limited ("CITIC Logistics"), the logistics arm of the Group, were not substantial as shipping services for the Angola project were temporarily interrupted after the former handling agent for the Angola project disputed on the termination of its agency agreement by CITIC Logistics Company Limited ("CITIC Logistics BJ", a company in which Mr. Li Weimin and Mr. Huang Hanshui were directors and Mr. Li Weimin beneficially held 30% equity interest). A maritime arbitration is in progress.

Liquidity, Financial Resources and Capital Structure

The Group mainly finances its business operations with internally generated cash flows, secured bank borrowings, zero coupon convertible notes and shareholders' equity. The Group continued to maintain a healthy financial position during the Reporting Period.

As at 30 June 2010, the Group had bank balances and cash of approximately HK\$120.4 million (31 December 2009: HK\$345.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity, Financial Resources and Capital Structure (Continued)

As at 30 June 2010, the secured bank borrowings of the Group amounted to approximately HK\$167.4 million (31 December 2009: Nil), which were secured by the investment property of the Group with carrying value of approximately HK\$292.1 million (31 December 2009: Nil). The Directors expect that all the bank borrowings will be repaid by internally generated cash flows.

As at 30 June 2010, the Company had zero coupon convertible notes due on 15 November 2014 in the aggregate principal amount of HK\$950,400,000 with an initial conversion price of HK\$0.12 per conversion share. No conversions were made during the period under review.

The current assets of the Group as at 30 June 2010 were approximately HK\$642.1 million (31 December 2009: HK\$696.8 million). The Group's current ratio (measured as total current assets to total current liabilities) was approximately 4.3 times as at 30 June 2010 compared with 7.5 times as at 31 December 2009.

The gearing ratio of the Group as at 30 June 2010, which is calculated by total interest bearing borrowings to total equity, was approximately 13.7% (31 December 2009: 0.003%).

Management is comfortable that existing financial resources will be sufficient for future expansion plans. Should other opportunities arise requiring additional funding, management also believes that the Group is in a good position to obtain financing on favorable terms.

Significant Investments

On 14 March 2010, China LWM Property Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire a residential property for investment purpose at a cash consideration of HK\$280,000,000. The property is located at No. 8 Severn Road, the Peak, Hong Kong with a gross floor area of approximately 4,650 square feet.

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 six months ended 30 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Charge on Group's Assets

As at 30 June 2010, the Group's investment property, with carrying value of approximately HK\$292.1 million, was pledged to secure the banking facilities granted to the Group.

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 due to the continuing appreciation of Renminbi and will closely monitor its impact to 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

As at 30 June 2010, the Group had the following material contingent liabilities:

- (i) 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 approximately 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. On 28 September 2009, the Company entered into an agreement to dispose the entire issued share capital of Classic Line and the disposal was completed on 31 October 2009; and
- (ii) the Company provided corporate guarantee for banking facilities utilized by the Group amounted to approximately HK\$167.4 million.

Employee and Remuneration Policy

As at 30 June 2010, the Group had approximately 2,177 (30 June 2009: 1,450) full-time employees in Hong Kong and the PRC. Total staff costs (including directors' remuneration) for the six months ended 30 June 2010 amounted to approximately HK\$15.6 million (six months ended 30 June 2009: HK\$6.7 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, the Company also operates a share option scheme of which the Board may, at its discretion, grant options to eligible employees of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Future Outlook

The global economic outlook appears uncertain with a slowdown in the recovery complicated by a host of factors including weakening US consumer confidence, European fiscal tightening from the sovereign debt crisis, Asian inflation and the moderation in China's growth rate. The Group concurs with the view that this is a soft patch in an ongoing recovery rather than a double-dip recession. That is, the recovery is likely to continue but at a slower pace in the second half of 2010 as fiscal stimulus and inventory restocking provide less impetus.

Economic growth in China slowed to 10.3% in the second quarter from 11.9% in the first quarter. This is generally attributed to the high base of comparison (with the second quarter of 2009) and the government's macroeconomic control. The Group takes the view that China's economy is slowing towards more sustainable growth and the pace will remain steady and fast, as the government can boost growth by adjusting its macroeconomic measures. These may include expanding domestic demand, loosening credit controls and accelerating the approval of investment projects.

In February 2009, the Chinese government included logistics in its plan to revitalize 10 key industries. With the rapid expansion of the industrial base and the development of infrastructure in China, the Group continues to see good development opportunities for the logistics industry. As disclosed in the Company's announcement dated 7 May 2010, the Group is in discussion with the shareholders of CITIC Logistics BJ (including Mr. Li Weimin) holding in aggregate of 90% shareholding interest in CITIC Logistics BJ to acquire their entire shareholding interest (the "Potential Acquisition").

The Potential Acquisition (if materialise) will further strengthen the logistics services business of the Group by providing an established platform to participate in China's large-scale industrial and infrastructure projects. Apart from the opportunities to secure more logistics projects, it will also extend the Group's scope of logistics services to engineering logistics and logistics project management from chemical logistics and shipping services. In the meantime the Group will continue to improve the execution and cost control of its existing logistics projects.

The Group expects that demand for electronic components products will increase in the future while material cost, production cost, labour cost and overhead will also rise due to various reasons. All these factors may affect the profit margin of the business segment engaged in the manufacturing of electronic components. The Board will take a very cautious approach and continuously review its operations to maintain the competitiveness of the Group's electronic products business.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2010, 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"), as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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	Approximate percentage of shareholding (%)
Mr. Li Weimin	Beneficial owner	9,540,000,000 (Note 1)	151.84
Ms. Lam Pik Wah (Note 3)	Interest of controlled corporation	608,400,000 (Note 2)	9.68
Mr. Lam Hung Kit (Note 4)	Interest of controlled corporation	608,400,000 (Note 2)	9.68
Mr. Lam Yat Keung	Interest of spouse	608,400,000 (Notes 2 & 5)	9.68

Notes:

- These comprise an interest in 1,620,000,000 ordinary shares of the Company and a derivative interest in 7,920,000,000 underlying shares, represented by convertible notes issued by the Company in the principal amount of HK\$950,400,000.
- These ordinary shares are beneficially held by Smart Number Investments Limited ("Smart Number"), a company incorporated in the British Virgin Islands. The entire issued share capital of Smart Number is beneficially owned as to 66.67% by Ms. Lam Pik Wah and as to 33.33% by Mr. Lam Hung Kit.
- Ms. Lam Pik Wah, an executive director of the Company, resigned on 9 March 2010.
- Mr. Lam Hung Kit, an executive director of the Company, resigned on 9 July 2010.
- Mr. Lam Yat Keung is the spouse of Ms. Lam Pik Wah and is accordingly deemed to have interests in these shares.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

(Continued)

Save as disclosed above, as at 30 June 2010, none of the directors or chief executives of the Company 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), as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2010, to the best knowledge of the directors, the parties (other than a director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding (%)
Smart Number Investments Limited (Note)	Beneficial owner	608,400,000	9.68

Note: According to the notice for disclosure of interests dated 5 January 2010, Smart Number Investments Limited, a company incorporated in the British Virgin Islands, is beneficially owned as to 66.67% by Ms. Lam Pik Wah and as to 33.33% by Mr. Lam Hung Kit.

Save as disclosed above, as at 30 June 2010, the directors are not aware of any other persons who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2010 except for the following deviation:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All the independent non-executive directors of the Company are not appointed for a specific term but their directorships are subject to retirement by rotation and re-election in accordance with the bye-laws of the Company and the Listing Rules.

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 of the Company. Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2010.

SHARE OPTION SCHEME

On 28 November 2002, the Company adopted a share option scheme (the "Scheme") under which the Board may, at its discretion, grant options to eligible participants under the Scheme.

No share option granted under the Scheme remained outstanding as at 30 June 2010 (31 December 2009: Nil). No share option under the Scheme was granted, exercised, cancelled or lapsed during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2010, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE REVIEW

The Company established an audit committee on 3 July 2000 (the “Audit Committee”) with primary duties to review and supervise the financial reporting process and the internal control system of the Group. The Audit Committee comprises three independent non-executive directors, namely, Mr. Ho Chi Fai (Chairman), Mr. Pai Te-Tsun and Ms. Liu Yanfang.

The unaudited interim results of the Group for the six months ended 30 June 2010 have been reviewed by the Audit Committee.

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
Li Weimin
Chairman

Hong Kong, 18 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Continuing operations			
Turnover	3	341,789	228,813
Cost of sales		(313,470)	(196,700)
Gross profit		28,319	32,113
Other income		961	1,608
Distribution costs		(2,943)	(1,819)
Administrative expenses		(22,729)	(14,659)
Amortisation of other intangible assets	13	(71,351)	–
Finance costs	4	(25,485)	(7)
(Loss) profit before taxation	5	(93,228)	17,236
Income tax	6	(1,462)	(2,917)
(Loss) profit for the period from continuing operations		(94,690)	14,319
Discontinued operation			
Loss for the period from discontinued operation	8	–	(6,446)
(Loss) profit for the period		(94,690)	7,873
(Loss) profit for the period attributable to			
Owners of the Company		(94,690)	7,873
Minority interests		–	–
		(94,690)	7,873

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30 June 2010

		Six months ended 30 June	
	Note	2010 (Unaudited)	2009 (Unaudited)
(Loss) earnings per share (in Hong Kong cents):			
From continuing and discontinued operations	9		
Basic		<u>(1.51)</u>	<u>0.21</u>
Diluted		<u>(1.51)</u>	<u>0.21</u>
From continuing operations			
Basic		<u>(1.51)</u>	<u>0.38</u>
Diluted		<u>(1.51)</u>	<u>0.38</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) profit for the period	(94,690)	7,873
Other comprehensive (expenses) income		
Exchange differences arising on translation of foreign operations	(26)	1,054
Gain on revaluation of leasehold buildings	—	24
	<u> </u>	<u> </u>
Other comprehensive (expenses) income for the period	(26)	1,078
	<u> </u>	<u> </u>
Total comprehensive (expenses) income for the period	(94,716)	8,951
	<u> </u>	<u> </u>
Total comprehensive (expenses) income attributable to		
Owners of the Company	(94,716)	8,951
Minority interests	—	—
	<u> </u>	<u> </u>
	(94,716)	8,951
	<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	10	133,133	138,576
Investment property	11	292,121	–
Goodwill	12	756,557	756,557
Other intangible assets	13	402,092	473,443
Deposits for acquisition of property, plant and equipment		11,612	174
		1,595,515	1,368,750
Current assets			
Deposits paid for acquisition of available-for-sale investment		14,500	14,500
Inventories		161,255	106,262
Trade and bills receivables	14	265,383	226,067
Prepayments, deposits and other receivables		80,142	3,685
Deposits in other financial institutions		446	446
Bank balances and cash		120,414	345,837
		642,140	696,797
Current liabilities			
Trade and bills payables	15	117,323	71,233
Other payables and accruals		14,664	14,016
Amount due to a director	20	944	182
Tax payable		7,266	7,266
Bank loans – secured	16	9,514	–
Obligations under finance leases		320	14
		150,031	92,711
Net current assets		492,109	604,086
Total assets less current liabilities		2,087,624	1,972,836

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2010

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	Note		
Non-current liabilities			
Bank loans – secured	16	157,836	–
Obligations under finance leases		382	25
Convertible notes	17	689,862	664,606
Employee benefits		107	107
Deferred tax liabilities		8,298	8,298
		856,485	673,036
NET ASSETS			
		1,231,139	1,299,800
Capital and reserves			
Share capital	18	62,828	61,165
Reserves		1,168,311	1,238,635
Equity attributable to owners of the Company			
		1,231,139	1,299,800
Minority interests		–	–
TOTAL EQUITY			
		1,231,139	1,299,800

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Equity attributable to owners of the Company										
	Share capital	Share premium	Share contributed surplus	Share-based compensation reserve	Leasehold buildings revaluation reserve	Foreign exchange reserve	Convertible notes reserve	Other reserve	Proposed dividend	Accumulated profits (losses)	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010 (audited)	61,165	1,479,480	5,800	-	-	(119)	291,367	53,775	-	(591,668)	1,299,800
Loss for the period	-	-	-	-	-	-	-	-	-	(94,690)	(94,690)
Other comprehensive expenses for the period	-	-	-	-	-	(26)	-	-	-	-	(26)
Total comprehensive expenses for the period	-	-	-	-	-	(26)	-	-	-	(94,690)	(94,690)
Issue of shares upon exercise of warrants	1,663	78,167	-	-	-	-	-	(53,775)	-	-	26,055
At 30 June 2010 (unaudited)	62,828	1,557,647	5,800	-	-	(145)	291,367	-	-	(686,358)	1,231,139

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2009

	Equity attributable to owners of the Company										Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Share-based compensation reserve HK\$'000	Leasehold buildings revaluation reserve HK\$'000	Foreign exchange reserve HK\$'000	Convertible notes reserve HK\$'000	Other reserve HK\$'000	Proposed dividend HK\$'000	Accumulated profits (losses) HK\$'000		Total HK\$'000
At 1 January 2009 (audited)	37,975	169,876	5,800	7,340	-	978	-	-	3,788	192,120	417,887	417,887
Profit for the period	-	-	-	-	-	-	-	-	-	7,873	7,873	7,873
Other comprehensive income for the period	-	-	-	-	24	1,054	-	-	-	-	1,078	1,078
Total comprehensive income for the period	-	-	-	-	24	1,054	-	-	-	7,873	8,951	8,951
Dividends proposed	-	-	-	-	-	-	-	-	3,798	(3,798)	-	-
At 30 June 2009 (unaudited)	37,975	169,876	5,800	7,340	24	2,032	-	-	7,586	196,195	426,838	426,838

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash (used in) from operating activities	(105,205)	1,214
Net cash used in investing activities	(314,866)	(6,852)
Net cash from (used in) financing activities	194,674	(1,350)
Net decrease in cash and cash equivalents	(225,397)	(6,988)
Cash and cash equivalents at beginning of the period	346,283	127,797
Effect of foreign exchange rate changes	(26)	1,013
Cash and cash equivalents at end of the period	120,860	121,822
Analysis of balances of cash and cash equivalents:		
Deposits in other financial institutions	446	18,802
Bank balances and cash	120,414	103,020
	120,860	121,822

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated and has been approved for issue by the Board on 18 August 2010.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain leasehold buildings and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

Investment property is property held to earn rentals and/or for capital appreciation. On initial recognition, investment property is measured at cost, including related transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the income statement on a straight-line basis over the shorter of the unexpired term of lease and its estimated useful life.

An investment property is derecognised upon disposal or when an investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the item is derecognised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of other new and revised HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ⁴
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Classification of Rights Issues ¹
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

3. SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The Group's operating and reportable segments are as follows:

- (a) Electronic products segment engages in the manufacture and trading of electronic and electrical parts and components.
- (b) Logistics services segment engages in providing shipping and transportation logistics services.
- (c) Lighter products segment engages in the design, manufacture and sale of cigarette lighters and related accessories.

The following is an analysis of the Group's turnover and results by reportable segments:

For the six months ended 30 June 2010

	Continuing operations		Consolidated HK\$'000
	Electronic products HK\$'000	Logistics services HK\$'000	
Turnover	325,425	16,364	341,789
Other income	783	164	947
Total segment revenue	<u>326,208</u>	<u>16,528</u>	<u>342,736</u>
Contribution to segment results	9,898	825	10,723
Amortisation of other intangible assets	–	(71,351)	(71,351)
Segment results	<u>9,898</u>	<u>(70,526)</u>	(60,628)
Unallocated corporate income			14
Unallocated corporate expenses			(7,129)
Finance costs			(25,485)
Loss before taxation			<u>(93,228)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2009

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Electronic products HK\$'000	Logistics services HK\$'000	Sub-total HK\$'000	Lighter products HK\$'000	
Turnover	228,813	–	228,813	54,395	283,208
Other income	1,524	–	1,524	1,233	2,757
Total segment revenue	<u>230,337</u>	<u>–</u>	<u>230,337</u>	<u>55,628</u>	<u>285,965</u>
Contribution to segment results	17,725	–	17,725	(6,356)	11,369
Amortisation of other intangible assets	–	–	–	–	–
Segment results	<u>17,725</u>	<u>–</u>	<u>17,725</u>	<u>(6,356)</u>	<u>11,369</u>
Unallocated corporate income			84	–	84
Unallocated corporate expenses			(566)	–	(566)
Finance costs			(7)	(90)	(97)
Profit (loss) before taxation			<u>17,236</u>	<u>(6,446)</u>	<u>10,790</u>

All of the turnover reported above is from external customers.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

3. SEGMENT INFORMATION (Continued)

Segment results represent the (loss) profit made by each segment without allocation of corporate income, corporate expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by reportable segments:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Electronic products	482,661	377,991
Logistics services	1,258,366	1,326,124
Unallocated corporate assets	496,628	361,432
	<hr/>	<hr/>
Total assets	2,237,655	2,065,547
	<hr/>	<hr/>

For the purposes of monitoring segment performances and allocating resources among segments, segment assets do not include deposits paid for acquisition of available-for-sale investment, deposits in other financial institutions, bank balances and cash and assets used jointly by reportable segments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

4. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest on convertible notes	25,256	-	-	-	25,256	-
Interest on bank and other borrowings	198	-	-	67	198	67
Interest on obligations under finance leases	31	7	-	23	31	30
	<u>25,485</u>	<u>7</u>	<u>-</u>	<u>90</u>	<u>25,485</u>	<u>97</u>

5. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation is arrived at after charging/(crediting):

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	15,593	13,200	-	864	15,593	14,064
Depreciation of investment property	1,227	-	-	-	1,227	-
Impairment loss of other intangible assets	-	-	-	290	-	290
Amortisation of prepaid lease payments	-	-	-	20	-	20
Investment income	-	(1,500)	-	-	-	(1,500)
Interest income	(21)	(94)	-	-	(21)	(94)
Net exchange gain	(776)	-	-	-	(776)	-
	<u>(776)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(776)</u>	<u>-</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

6. INCOME TAX

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Continuing operations		
Current tax		
Hong Kong	<u>1,462</u>	<u>2,917</u>

The income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the period.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: HK0.1 cent per share).

8. DISCONTINUED OPERATION

On 28 September 2009, the Company entered into an agreement pursuant to which the Company agreed to sell to Sher Tak Chi, a director of a subsidiary of the Company, the entire issued share capital of Classic Line and its subsidiaries and the interest-free shareholder's loan outstanding and owing as at the completion date of the disposal for an aggregate consideration of HK\$15,000,000. Classic Line and its subsidiaries were principally engaged in the design, manufacture and sale of cigarette lighters and related accessories. The disposal was completed on 31 October 2009 and the Group discontinued its lighter products business since then.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

8. DISCONTINUED OPERATION (Continued)

The results and cash flows of the lighter products business included in the condensed consolidated income statement and the condensed consolidated statement of cash flows are as follows:

	Six months ended 30 June 2009 HK\$'000
Turnover	54,395
Cost of sales	(46,245)
	<hr/>
Gross profit	8,150
Other income	1,233
Distribution costs	(3,587)
Administrative expenses	(12,152)
Amortisation of other intangible assets	-
Finance costs	(90)
	<hr/>
Loss before taxation	(6,446)
Income tax	-
	<hr/>
Loss for the period from discontinued operation	<u>(6,446)</u>
Cash flows from discontinued operation	
Net cash from operating activities	4,098
Net cash used in investing activities	(3,627)
Net cash used in financing activities	(2,922)
	<hr/>
Net decrease in cash flows	<u>(2,451)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	<u>(94,690)</u>	<u>7,873</u>
	Six months ended 30 June	
	2010	2009
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>6,278,432</u>	<u>3,797,500</u>

The calculation of diluted loss per share for the six months ended 30 June 2010 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.

The calculation of diluted earnings per share for the six months ended 30 June 2009 did not assume the exercise of the Company's outstanding share options and warrants as the exercise prices of share options and warrants were higher than the average market price for shares.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

9. (LOSS) EARNINGS PER SHARE (Continued)

From continuing operations

The calculation of basic and diluted (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) profit for the period attributable to the owners of the Company	(94,690)	7,873
Add: Loss for the period from discontinued operation	—	6,446
	<u> </u>	<u> </u>
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	(94,690)	14,319
	<u> </u>	<u> </u>

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share from continuing and discontinued operations.

From discontinued operation

For the six months ended 30 June 2009, both basic and diluted loss per share from discontinued operation were HK0.17 cent per share, based on the loss for the period from discontinued operation of HK\$6,446,000 and the denominators detailed above for both basic and diluted (loss) earnings per share from continuing and discontinued operations.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired property, plant and equipment of HK\$10,191,000 (six months ended 30 June 2009: HK\$6,349,000) and disposed of property, plant and equipment with carrying values of HK\$41,000 (six months ended 30 June 2009: Nil), resulting in net gain on disposal of HK\$49,000 (six months ended 30 June 2009: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

11. INVESTMENT PROPERTY

During the six months ended 30 June 2010, the Group acquired an investment property at cost of HK\$293,348,000 which included related transaction costs of HK\$13,348,000 (six months ended 30 June 2009: Nil). The investment property is located in Hong Kong under medium term lease. As at 30 June 2010, the investment property was pledged as security for bank loans of HK\$167,350,000 (31 December 2009: Nil) (Note 16).

12. GOODWILL

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
At beginning of the period/year	756,557	–
Acquired on acquisition of a subsidiary	–	1,536,866
Impairment loss recognised	–	(780,309)
	<hr/>	<hr/>
At end of the period/year	756,557	756,557
	<hr/>	<hr/>

13. OTHER INTANGIBLE ASSETS

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
At beginning of the period/year	473,443	290
Acquired on acquisition of a subsidiary	–	490,000
Amortisation	(71,351)	(16,557)
Impairment loss recognised	–	(290)
	<hr/>	<hr/>
At end of the period/year	402,092	473,443
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

14. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 120 days to its trade customers.

The following is an aged analysis of trade and bills receivables at the reporting date:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Within 3 months	212,791	222,247
4 – 6 months	5,136	2,322
7 – 12 months	47,456	1,498
	265,383	226,067

As at 30 June 2010, trade receivables in the amount of approximately HK\$47,456,000 (31 December 2009: HK\$47,456,000) was receivable from 中國華國際工程承包有限責任公司(CITIC International Contracting Co., Ltd.), an affiliate of CITIC Logistics BJ.

15. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables at the reporting date:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Within 3 months	113,839	66,722
4 – 6 months	1,165	3,602
7 – 12 months	2,047	668
Over 12 months	272	241
	117,323	71,233

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

16. BANK LOANS – SECURED

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Current portion	9,514	–
Non-current portion	<u>157,836</u>	<u>–</u>
	167,350	–
Repayable:		
Within 1 year	<u>9,514</u>	<u>–</u>
After 1 year but within 2 years	9,514	–
After 2 years but within 5 years	<u>28,543</u>	<u>–</u>
After 5 years	<u>119,779</u>	<u>–</u>
	157,836	–
	167,350	–

Note:

During the six months ended 30 June 2010, the Group raised a total of new bank loans of HK\$168,000,000 (six months ended 30 June 2009: Nil) and repaid HK\$650,000 (six months ended 30 June 2009: Nil).

As at 30 June 2010, the bank loans were secured by the Group's investment property with carrying value of HK\$292,121,000 (31 December 2009: Nil) (Note 11) and the corporate guarantee provided by the Company.

17. CONVERTIBLE NOTES

The movement of the liability component of the convertible notes is set out below:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
At beginning of the period/year	664,606	–
Issue of convertible notes	–	659,033
Effective interest for the period/year	<u>25,256</u>	<u>5,573</u>
At end of the period/year	689,862	664,606

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

18. SHARE CAPITAL

	30 June 2010		31 December 2009	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	30,000,000	300,000	30,000,000	300,000
Issued and fully paid:				
At beginning of the period/year	6,116,477	61,165	3,797,500	37,975
Issue of shares upon exercise of warrants (Note)	166,313	1,663	339,227	3,392
Issue of shares upon exercise of share options	–	–	359,750	3,598
Issue of shares upon acquisition of a subsidiary	–	–	1,620,000	16,200
At end of the period/year	6,282,790	62,828	6,116,477	61,165

Note:

The application for exercise of these warrants was made before 31 December 2009.

19. CAPITAL COMMITMENTS

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Contracted but not provided for	16,485	5,971
Authorised but not contracted for	6	455
	16,491	6,426

20. RELATED PARTY TRANSACTIONS

- (a) Pursuant to an authorisation letter dated 20 July 2007, CITIC Logistics BJ has granted the use of its trading logo to CITIC Logistics, free of charge for the period from 1 August 2007 to 30 April 2010. The grant was further extended to 30 April 2012 pursuant to an authorisation letter from CITIC Logistics BJ on 17 September 2009.
- (b) On 15 April 2009, CITIC Logistics BJ entered into an agreement to transfer its shipping logistics business contracted with 中國國華國際工程承包有限責任公司 (CITIC International Contracting Co., Ltd.), an affiliate of CITIC Logistics BJ to CITIC Logistics at zero consideration.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2010

20. RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related party

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Amount due to a director	<u>944</u>	<u>182</u>

The amount is unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel

During the six months ended 30 June 2010, the emoluments of directors and other members of key management were HK\$3,056,000 (six months ended 30 June 2009: HK\$3,131,000).

There was no share option granted to the key management under the Share Option Scheme of the Company during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

21. CONTINGENT LIABILITIES

One of the subsidiaries of Classic Line, a former subsidiary of the Company, has been and is the subject of a judgment (in the amount of approximately 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. On 28 September 2009, the Company entered into an agreement to dispose the entire issued share capital of Classic Line and the disposal was completed on 31 October 2009.

22. EVENT AFTER THE REPORTING PERIOD

- (a) On 19 November 2009, the Company issued unsecured convertible notes for the settlement of the consideration for the acquisition of the entire issued share capital of CITIC Logistics. Details of such transaction are set out in the Company's circular dated 16 October 2009. On 13 July 2010, the Company received notices from five convertible note holders to convert convertible notes issued in a total principal amount of HK\$108,000,000 and as a result of which the Company has issued a total of 900,000,000 shares ranking pari passu with all other issued shares of the Company at the conversion price of HK\$0.12 each. Details of such transaction are set out in the Company's announcement dated 13 July 2010.
- (b) On 16 August 2010, CITIC Logistics entered into an agreement with SUN International Investment Holdings Limited ("SUN International", a company in which Mr. Li Weimin indirectly holds 40% equity interest) pursuant to which SUN International agreed to engage CITIC Logistics and CITIC Logistics agreed to provide procurement and integrated logistics services for procuring and delivering equipment, facilities and peripherals to a laboratory in Beijing set up by SUN International. It is agreed that the final contract amount will not exceed HK\$10,000,000. Details of such transaction are set out in the Company's announcement dated 16 August 2010.

23. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current period's presentation.