泰豐國際集團有限公司*

Sino-Tech International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 724)

Interim Report 2012

*For Identification Purpose Only

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Li Weimin *(Chairman) (suspended)*
Mr. Lam Yat Keung
Mr. Lim Chuan Yang
(Chief Executive Officer)
Mr. Huang Hanshui

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ho Chi Fai
Ms. Liu Yanfang
Professor Ma Hongwei

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

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

NOMINATION COMMITTEE
Ms. Liu Yanfang
Mr. Lim Chuan Yang
Professor Ma Hongwei

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

COMPANY SECRETARY
Mr. Chan Chun Fat

AUDITOR
SHINEWING (HK) CPA Limited

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suites 3208-11, Tower 2, Times Square
1 Matheson Street
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Securities Services
(Bermuda) Limited
6 Front Street
Hamilton, HM 11
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26/F, Tesbury Centre
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SHARE LISTING
The Stock Exchange of Hong Kong Limited
Stock Code: 724

WEBSITE
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 consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012, 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 2012 (the "Reporting Period"), the Group recorded turnover of HK$319.6 million, representing a decrease of 24.9% compared with HK$425.5 million for the six months ended 30 June 2011 (the "Corresponding Period").

Loss for the Reporting Period rose to HK$72.9 million from HK$33.8 million in the Corresponding Period, mainly due to the operating loss in terms of contribution to segment results (the "Operating Loss"). The loss for the period was mainly attributable to the Operating Loss and the imputed interest on convertible notes.

The amortisation of other intangible assets, the imputed interest on convertible notes, the gain on redemption of convertible notes and the gain arising on change in fair value of investment property (collectively, the "Non-cash Items") arose as a result of accounting treatment under the provisions of the applicable accounting standards and were of non-cash nature. Before the Non-cash Items, the Group made a net loss of HK$63.7 million in the Reporting Period, as compared with a net loss of HK$26.3 million in the Corresponding Period.

Financial Highlights

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Turnover	**319,619**	425,468
Gross (loss) profit	**(17,054)**	3,865
Loss for the period	**(72,921)**	(33,833)
Amortisation of other intangible assets	**–**	(25,547)
Imputed interest on convertible notes	**(9,253)**	(14,926)
Gain on redemption of convertible notes	**–**	2,931
Gain arising on change in fair value of investment property	**–**	30,000
Net loss for the period before amortisation of other intangible assets, imputed interest on convertible notes, gain on redemption of convertible notes and gain arising on change in fair value of investment property	**(63,668)**	(26,291)

Interim Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

As announced by the Company on 25 April 2012 and 14 June 2012, Mr. Li Weimin is assisting the relevant authorities in the People's Republic of China (the "PRC") in the investigation into certain transactions conducted by him in April 2009 prior to his becoming a shareholder and director of the Company (the "Investigation"). The Company has set up a special committee to handle matters which may arise from and relate to the Investigation. With effect from 16 May 2012, Mr. Li Weimin was suspended from acting as the Chairman and an executive Director of the Company pursuant to the bye-laws of the Company (the "Bye-Laws").

The logistics services segment reported turnover of HK$67.7 million and a loss of HK$11.7 million in terms of contribution to segment results in the Reporting Period. These compared with turnover of HK$10.4 million and a loss of HK$2.3 million in terms of contribution to segment results in the Corresponding Period. The main reasons attributable to the increased loss were the continued suspension of shipments for the Angola Project and the loss incurred by 中信物流有限公司 (CITIC Logistics Company Limited*) ("CLBJ").

The electronic products segment recorded a sharp decrease of 39.3% in turnover to HK$251.9 million in the Reporting Period compared with HK$415.0 million in the Corresponding Period. The global economy did not show any signs of improvement during the first half of 2012, and instead demand continued to shrink even further. The sovereign debt crisis in Europe, the continuous tightening policy in the PRC and the severe market competition also led to the significant drop in demand. The electronic products segment had tightened its overhead costs but this was still unable to compensate for the drop in turnover. As a result, the segment loss in the Reporting Period widened to HK$35.3 million from HK$12.5 million in the Corresponding Period.

The property investment segment reported a loss of HK$1.3 million in the Reporting Period, as compared with a profit of HK$28.7 million in the Corresponding Period. The loss was mainly due to costs, expenses and maintenance fees incurred but the fair value of the investment property was unchanged compared with that as at 31 December 2011.

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MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

During the Reporting Period, shipments for the Angola Project remained suspended. For reasons as set out in the section headed "Business and financial review" of the 2011 Annual Report, the Board continues to believe that there is a risk that shipping services for the Angola Project may not be resumed. The Board also notes that the Service Agreement entered into between CLBJ and 中信國華國際工程承包有限責任公司 (CITIC International Contracting Inc.*) ("CITIC Contracting") for the Angola Project will expire in April 2013.

The Exclusive Period of eight years for the Zhanjiang Projects, as announced by the Company on 19 June 2012, should commence after CLBJ receives the formal notice from 寶鋼湛江鋼鐵有限公司 (Bao Steel Zhanjiang Steel Company Limited*) (the "Bao Steel Project Company") informing CLBJ that the construction of the Zhanjiang Steel Base Project has formally commenced. On 22 August 2012, CLBJ received (by fax) a notice dated 21 August 2012 from the Bao Steel Project Company informing CLBJ that the construction of the Zhanjiang Steel Base Project had formally commenced on 31 May 2012. The Group is communicating with the Bao Steel Project Company regarding the prospect of the Zhanjiang Projects. As at the date of this report, CLBJ has not started its investment and services for the Zhanjiang Projects and the project company has not been established.

During the Reporting Period, trade receivables and the interest accrued due from SUN International Investment Holdings Limited ("SUN International") in the amount of approximately HK$5.4 million (the "Amount Due from SUN International") was fully impaired as the Board believes that the Amount Due from SUN International is irrecoverable. Details of the Amount Due from SUN International were set out in note 18 to the condensed consolidated financial statements.

Subsequent to the Reporting Period, deposits paid for potential investments and other receivables including interest accrued in aggregate of approximately HK$52.8 million were offset against the amount due to Pioneer Blaze Limited ("Pioneer Blaze"), a shareholder of the Company, pursuant to a guarantee provided by Pioneer Blaze to the Group on 29 March 2012. After the offsetting, the remaining balance of the shareholder loan due to Pioneer Blaze is approximately HK$55.8 million.

As announced by the Company on 3 August 2012, CITIC Automobile Company Limited ("CITIC Auto") filed a lawsuit (the "CITIC Auto Lawsuit") in the People's Court of Chaoyang District of Beijing (the "Beijing Court") against CLBJ in relation to a claim of the repayment of shareholder loan and relevant interest (the "CITIC Auto Loan") in the amount of approximately RMB39.8 million plus other interest and expenses (the "CITIC Auto Claim"). CLBJ is owned as to 90% by the Company and 10% by CITIC Auto. The CITIC Auto Loan was made to CLBJ by CITIC Auto before CLBJ became a subsidiary of the Group. According to the court documents received by CLBJ, the amount of RMB39.8 million consists of the principal of approximately RMB24.2 million and the interest accrued of approximately RMB15.6 million.

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MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

The CITIC Auto Loan was recorded by CLBJ as approximately RMB23.3 million in its management accounts for the purpose of the sales and purchase agreement for the acquisition of 90% equity interest in CLBJ (the "90% Acquisition Agreement") and in the completion accounts upon completion of the 90% Acquisition Agreement (the "Recorded CITIC Auto Loan"). The Company is currently unable to clarify with Mr. Li Weimin, the founder and a former shareholder and director of CLBJ regarding the differences between the Recorded CITIC Auto Loan and the CITIC Auto Claim (the "Discrepancies"). However, based on the advice obtained from the Company's lawyer, pursuant to the 90% Acquisition Agreement, Mr. Li Weimin and Pioneer Blaze (the "Vendors"), and the guarantor, Mr. Lim Chuan Yang (the "Guarantor") are obliged to indemnify the Group against any loss arising from the Discrepancies.

In connection with the CITIC Auto Lawsuit, pursuant to a civil order dated 5 July 2012 served upon CLBJ, the Beijing Court has accepted the application by CITIC Auto for property attachment prior to lawsuit (訴前資產保全) to freeze CLBJ's bank accounts in the amount of RMB39.8 million or other assets under the name of CLBJ. According to information provided by CITIC Contracting to CLBJ, the Beijing Court issued an assistance execution notice (協助執行通知書) dated 23 July 2012 to CITIC Contracting, pursuant to which CITIC Contracting was required to freeze the trade receivables due from CITIC Contracting to CITIC Logistics (International) Company Limited ("CLI"), a wholly-owned subsidiary of the Company, and CLBJ in the amount of approximately US$3.3 million and RMB3.1 million, respectively (the "CITIC Contracting Overdue"). Without the prior permission from the Beijing Court, CITIC Contracting shall not make any payment of the CITIC Contracting Overdue to CLI and CLBJ.

In addition, in connection with the CITIC Auto Lawsuit, a CLBJ's bank informed CLBJ that at the request of the Beijing Court, one of CLBJ's bank accounts (the "Frozen Bank Account") with an amount of approximately RMB243,668 had been frozen. As at the date of this report, except for the Frozen Bank Account and the CITIC Contracting Overdue, the Group is not aware of any other bank accounts or assets under the name of CLBJ that have been or would be frozen as a result of the application made by CITIC Auto to the Beijing Court.

The court hearing regarding the CITIC Auto Lawsuit was held on 22 August 2012, and the hearing was adjourned to 3 September 2012. Further announcement(s) will be made by the Company regarding the CITIC Auto Lawsuit.

Separately, as announced by the Company on 3 August 2012, CITIC Auto required that CLBJ and 中信物流飛馳有限公司 (CITIC Logistics Fritz Company Limited*) ("Fritz") to cease to use the logo and the name of "CITIC" or "中信". Fritz is a company incorporated in the PRC, which is owned as to 52% by CLBJ. CLBJ and Fritz are taking necessary steps to change the relevant names and logos.

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MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity, Financial Resources and Capital Structure

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

As at 30 June 2012, the Group had bank balances and cash of HK$25.9 million (31 December 2011: HK$43.5 million). The Group's current ratio (measured as total current assets to total current liabilities) was 1.4 times as at 30 June 2012 compared with 1.3 times as at 31 December 2011.

As at 30 June 2012, the secured bank borrowings of the Group amounted to HK$148.3 million (31 December 2011: HK$153.1 million), which were secured by the investment property of the Group with carrying value of HK$315.0 million (31 December 2011: HK$315.0 million) and the corporate guarantee provided by the Company. The gearing ratio, which is calculated by total interest bearing borrowings to total equity, was 35.9% (31 December 2011: 32.9%).

As at 30 June 2012, the Company had zero coupon convertible notes due on 15 November 2014 in the aggregate principal amount of HK$302.4 million (31 December 2011: HK$302.4 million) with an initial conversion price of HK$0.12 per conversion share.

The Company is in dialogue with its banker and property agent to determine how the investment property owned by the Group may best be disposed of. In the event that this disposal cannot be accomplished in the near future, the Group may face cash flow constraints affecting segments of the Group's businesses.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Charge on Group's Assets

As at 30 June 2012, the Group's investment property with a carrying value of HK$315.0 million (31 December 2011: HK$315.0 million) was pledged to secure bank borrowings of 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 resulted from the fluctuation of Renminbi against the Hong Kong dollars and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. With regard to the US dollars, foreign exchange exposure would be minimal so long as the Hong Kong SAR Government's policy to peg the Hong Kong dollars to the US dollars remains in effect.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 19 to the condensed consolidated financial statements.

Litigations

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

Employee and Remuneration Policy

As at 30 June 2012, the Group had 1,948 (30 June 2011: 2,376) full time employees in Hong Kong and the PRC. Total staff costs (including directors' remuneration) for the six months ended 30 June 2012 amounted to HK$34.3 million (six months ended 30 June 2011: HK$18.5 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.

Event after the Reporting Period

Details of the event after the Reporting Period of the Group are set out in note 21 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Future Outlook

The Group began the year of 2012 expecting a challenging operating environment given an uncertain global economic outlook. Among other matters, the European debt crisis remains a lingering concern, the economic recovery in the US appears feeble and the emerging economies led by China are slowing down. Going into the second half of 2012, there appears no turnaround in sight and the outlook remains dependent on fiscal stimulus measures and efforts to contain the eurozone crisis. As an indication, China's factory output growth slowed to 9.2% in July 2012, lower than forecast and the weakest in more than three years. On the positive side, China's consumer price index eased to a 30-month low of 1.8% in July 2012, providing further room for policy easing.

Given the tough economy and business environment, the Group will try to streamline its electronic products operation, concentrate on products with higher profit margin and lower the inventory level in order to increase working capital flow and to control and improve the operating performance of the electronic products segment.

Besides the tough operating environment, the Board believes that some other factors may have an impact on the logistics services business of the Group, including the Investigation (as mentioned in the section headed "Business and financial review" of this report), the cessation of using the name and logo of "CITIC" or "中信" and the CITIC Auto Lawsuit. In addition, the continuation of the Zhanjiang Projects will give rise to funding needs depending on the construction schedule and progress of the Zhanjiang Steel Base Project.

As set out in the section headed "Business and financial review" of the 2011 Annual Report, the Investigation may have generated an adverse perception on the image of the Group. The Board is assessing how the cessation of using the name and logo of "CITIC" or "中信"may affect the existing logistics services contracts for CLBJ and Fritz. The CITIC Auto Lawsuit may affect the financial conditions and hence business operations of CLBJ depending on the amount being awarded to CITIC Auto and whether the Vendors and the Guarantor are able to indemnify the Group in cash for any amount in excess of the Recorded CITIC Auto Loan. Against the background of all these adversities, the Company is in dialogue with its banker and property agent to determine how the investment property owned by the Group may best be disposed of. In the event that this disposal cannot be accomplished in the near future, the Group may face cash flow constraints affecting segments of the Group's businesses.

Nonetheless, the Group will work to minimize the adverse impact as mentioned above. Besides, the Group will continue to improve the execution and cost control of existing logistics projects. The Group will also keep in close contact with the Bao Steel Project Company and continue to make preparations for the Zhanjiang Projects appropriately.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Future Outlook *(Continued)*

As announced by the Company on 19 June 2012, the Exclusive Period of eight years for the Zhanjiang Projects should commence after CLBJ receives the formal notice from the Bao Steel Project Company informing CLBJ that the construction of the Zhanjiang Steel Base Project has formally commenced. As at 30 June 2012 and up to 21 August 2012, the Company had not received any formal notice from the Bao Steel Project Company concerning the formal commencement of the Zhanjiang Steel Base Project. While the Company received the formal notice from the Bao Steel Project Company (through a fax letter dated 21 August 2012 to CLBJ) on 22 August 2012, the Company was not aware of any revision or changes to the construction schedule and the capacity production plan of the Zhanjiang Steel Base Project, as CLBJ was still in the process of communicating with the Bao Steel Project Company regarding the Zhanjiang Projects.

The Company noted that besides the commencement date of the Exclusive Period of eight years for the Zhanjiang Projects, the construction schedule and the capacity production plan of the Zhanjiang Steel Base Project were important assumptions for the financial forecast model that formed the basis for the business valuation of the Zhanjiang Projects, in the absence of which, CLBJ was not able to update the financial forecast model. As such, there was no new valuation report prepared for the 2012 interim results.

Against this backdrop and given the various factors that may impact the logistics business as set out above, the Directors were unable to conclude if there was any impairment on goodwill and other intangible assets. As set out in notes 11 and 12 to the condensed consolidated financial statements of the Company in this report, the same carrying amount of goodwill and other intangible assets as those used for the 2011 annual results were used for the 2012 interim results.

In light of the above, the Company's auditor, SHINEWING (HK) CPA Limited, issued a qualified review conclusion in relation to the impairment assessment in respect of the carrying amount of goodwill and other intangible assets of approximately HK$38.5 million and HK$139.3 million, respectively, arising from the acquisition of 90% equity interest in CLBJ by the Group.

Nonetheless, the Directors will make impairment assessment on goodwill and other intangible assets for the 2012 annual results by the time of which, the Directors believe, the prospect and the funding needs of the Zhanjiang Projects should be more certain and clear.

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

As at 30 June 2012, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and 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 or The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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. Li Weimin *(Note 1)*	Beneficial owner	4,262,985,823	35.62%
Mr. Lam Yat Keung *(Note 2)*	Interest of family	612,400,000	5.12%
Mr. Lim Chuan Yang *(Note 3)*	Beneficial owner and interest of controlled corporation	574,065,409	4.80%
Mr. Huang Hanshui *(Note 4)*	Beneficial owner	86,827,895	0.73%

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. Mr. Lam Yat Keung is deemed interested in 612,400,000 shares owned 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 (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Hung Kit.

3. Mr. Lim Chuan Yang ("Mr. Lim") is interested in 574,065,409 shares, consisting of (i) an interest in 460,923,259 shares owned by Pioneer Blaze, the entire issued share capital of Pioneer Blaze is beneficially and wholly owned by Mr. Lim; and (ii) a derivative interest in 113,142,150 shares pursuant to share options granted to him on 30 November 2011.

4. Mr. Huang Hanshui 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 of Fritz:

Name of director	Capacity	Number of shares held	Percentage of shareholding
Mr. Li Weimin	Beneficial owner	185	5%

Note: Fritz is a 52% owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2012, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and chief executives of the Company, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

Name of substantial shareholders	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Smart Number	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%

Note: 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.

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2012.

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. During the Reporting Period, listing approval was granted by the Stock Exchange in respect of the Scheme and the old share option scheme adopted by the Company on 28 November 2002 was terminated. 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 8 June 2012.

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

			Number of share options				
Participants	Date of grant	Exercise price per share	Outstanding at 1 January 2012 '000	Granted during the period '000	Exercised during the period '000	Cancelled/ lapsed during the period '000	Outstanding at 30 June 2012 '000
Directors	6 December 2010	HK$0.305	86,828	–	–	–	86,828
	30 November 2011	HK$0.098	113,142	–	–	–	113,142
Employees	6 December 2010	HK$0.305	173,656	–	–	–	173,656
	30 November 2011	HK$0.098	678,853	–	–	–	678,853
Customers, suppliers and other eligible persons	6 December 2010	HK$0.305	86,828	–	–	–	86,828
	30 November 2011	HK$0.098	226,284	–	–	–	226,284
			1,365,591	–	–	–	1,365,591

The options outstanding as at 30 June 2012 had an exercisable period of ten years from the date of grant.

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

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

CORPORATE GOVERNANCE PRACTICE

During the Reporting Period, the Company has applied the principles of and complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") (now renamed the Corporate Governance Code and Corporate Governance Report which came into effect on 1 April 2012) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except the following deviation:

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Ho Chi Fai, 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 and the Listing Rules. Under the Bye-Laws, one-third of the Directors shall retire from office by rotation at each annual general meeting. This means a director's specific term of appointment cannot exceed three years for a total of seven Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors (except Mr. Li Weimin) confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2012.

CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS

With effect from 1 January 2012, Academician Liu Renhuai resigned as the Chairman of the Board, a non-executive Director and a member of the Audit Committee of the Company; Mr. Lim Chuan Yang was appointed as an executive Director and Chief Executive Officer of the Company; and Mr. Li Weimin was re-designated from Chief Executive Officer to Chairman and continued to serve as an executive Director and the authorised representative of the Company.

As announced by the Company on 25 April 2012 and 14 June 2012, Mr. Li Weimin is assisting the relevant authorities in the PRC in the investigation into certain transactions conducted by him in April 2009 prior to his becoming a shareholder and director of the Company. With effect from 16 May 2012, Mr. Li Weimin was suspended from acting as the Chairman and an executive Director of the Company pursuant to the Bye-Laws.

CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS *(Continued)*

Upon the retirement by rotation at the annual general meeting held on 8 June 2012 in accordance with the Bye-Laws, Mr. Xin Luo Lin ceased to act as a non-executive Director and a member of the Audit Committee of the Company with effect from 8 June 2012.

The Company established a Special Committee on 14 June 2012 to handle matters which may arise from and relate to the Investigation. The Special Committee comprises three independent non-executive Directors, namely, Mr. Ho Chi Fai (Chairman of the Special Committee), Ms. Liu Yanfang and Professor Ma Hongwei.

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

AUDIT COMMITTEE REVIEW

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

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

The members of the Audit Committee are Mr. Ho Chi Fai (Chairman of the Audit Committee), Ms. Liu Yanfang and Professor Ma Hongwei, the independent non-executive Directors 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
Lim Chuan Yang
Executive Director

Hong Kong, 30 August 2012

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

信永中和 ShineWing

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

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

Introduction

We have reviewed the condensed consolidated financial statements of Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

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

Basis for Qualified Conclusion

We were unable to obtain sufficient information supporting the impairment assessment in respect of the carrying amounts of goodwill and other intangible assets of approximately HK$38,498,000 and HK$139,308,000 respectively as at 30 June 2012. Had we been able to obtain sufficient information to complete our review procedures in respect of goodwill and other intangible assets, matters might have come to our attention indicating that as to whether adjustments for impairment on goodwill and other intangible assets might be necessary to these condensed consolidated financial statements.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Other Matters

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2011 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
30 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited and restated)
Turnover	4	**319,619**	425,468
Cost of sales		**(336,673)**	(421,603)
Gross (loss) profit		**(17,054)**	3,865
Other income		**1,275**	1,045
Distribution costs		**(9,257)**	(3,892)
Administrative expenses		**(38,523)**	(26,539)
Amortisation of other intangible assets		**–**	(25,547)
Gain on redemption of convertible notes		**–**	2,931
Gain arising on change in fair value of investment property		**–**	30,000
Share of results of an associate		**705**	–
Finance costs	5	**(10,067)**	(15,696)
Loss before taxation	6	**(72,921)**	(33,833)
Taxation	7	**–**	–
Loss for the period		**(72,921)**	(33,833)
Loss for the period attributable to:			
Owners of the Company		**(71,984)**	(33,833)
Non-controlling interests		**(937)**	–
		(72,921)	(33,833)
Loss per share (in Hong Kong cents):			
Basic and diluted	9	**(0.60)**	(0.35)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
Loss for the period	**(72,921)**	(33,833)
Other comprehensive (expenses) income:		
Exchange differences arising on translation of foreign operations	**(1,304)**	141
Share of other comprehensive expenses of an associate	**(65)**	–
Other comprehensive (expenses) income for the period	**(1,369)**	141
Total comprehensive expenses for the period	**(74,290)**	(33,692)
Total comprehensive expenses for the period attributable to:		
Owners of the Company	**(72,924)**	(33,692)
Non-controlling interests	**(1,366)**	–
	(74,290)	(33,692)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited and restated)
Non-current assets			
Property, plant and equipment	10	**196,489**	231,645
Investment property	10	**315,000**	315,000
Goodwill	11	**38,498**	38,826
Other intangible assets	12	**139,308**	140,505
Interest in an associate		**7,752**	7,343
Finance lease receivables		**26**	102
		697,073	733,421
Current assets			
Deposits paid for potential investments		**26,000**	26,000
Inventories		**114,408**	98,259
Finance lease receivables		**152**	154
Trade and bills receivables	13	**193,183**	237,347
Prepayments, deposits and other receivables		**37,383**	37,530
Dividend receivables		**1,072**	1,835
Tax recoverable		**960**	960
Financial assets at fair value through profit or loss		**2,444**	7,395
Deposits in other financial institutions		**446**	446
Restricted bank balances		**490**	–
Bank balances and cash		**25,367**	43,533
		401,905	453,459
Current liabilities			
Trade and bills payables	14	**87,263**	72,456
Other payables and accruals		**28,371**	82,474
Amount due to a non-controlling equity holder of a subsidiary		**28,526**	28,772
Bank borrowings	15	**148,321**	153,079
Obligations under finance leases		**88**	248
		292,569	337,029
Net current assets		**109,336**	116,430
Total assets less current liabilities		**806,409**	849,851

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited and restated)
Non-current liabilities			
Obligations under finance leases		11	14
Amount due to a shareholder		108,620	108,620
Convertible notes	16	254,084	244,831
Employee benefits		123	123
Deferred tax liabilities		30,077	30,335
		392,915	383,923
Net assets		413,494	465,928
Capital and reserves			
Share capital	17	119,667	117,545
Reserves		244,240	297,430
		363,907	414,975
Non-controlling interests		49,587	50,953
Total equity		413,494	465,928

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note *)	Share-based compensation reserve HK$'000	Foreign exchange reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012 (audited)	117,545	2,190,760	5,800	61,716	779	92,707	(2,057,907)	411,400	50,953	462,353
Adjustments (note 3)	–	–	–	–	–	–	3,575	3,575	–	3,575
At 1 January 2012 (restated)	117,545	2,190,760	5,800	61,716	779	92,707	(2,054,332)	414,975	50,953	465,928
Loss for the period	–	–	–	–	–	–	(71,984)	(71,984)	(937)	(72,921)
Other comprehensive expenses for the period	–	–	–	–	(940)	–	–	(940)	(429)	(1,369)
Total comprehensive expenses for the period	–	–	–	–	(940)	–	(71,984)	(72,924)	(1,366)	(74,290)
Acquisition of subsidiaries (note 17)	2,122	19,734	–	–	–	–	–	21,856	–	21,856
At 30 June 2012 (unaudited)	119,667	2,210,494	5,800	61,716	(161)	92,707	(2,126,316)	363,907	49,587	413,494

For the six months ended 30 June 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note *)	Share-based compensation reserve HK$'000	Foreign exchange reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011 (audited)	86,828	1,834,074	5,800	31,310	(257)	203,074	(1,123,848)	1,036,981	–	1,036,981
Adjustments (note 3)	–	–	–	–	–	–	1,000	1,000	–	1,000
At 1 January 2011 (restated)	86,828	1,834,074	5,800	31,310	(257)	203,074	(1,122,848)	1,037,981	–	1,037,981
Loss for the period, as restated	–	–	–	–	–	–	(33,833)	(33,833)	–	(33,833)
Other comprehensive income for the period	–	–	–	–	141	–	–	141	–	141
Total comprehensive expenses for the period, as restated	–	–	–	–	141	–	(33,833)	(33,692)	–	(33,692)
Issue of shares upon conversion of convertible notes	15,000	177,083	–	–	–	(55,183)	–	136,900	–	136,900
Redemption of convertible notes, as restated	–	–	–	–	–	(11,037)	–	(11,037)	–	(11,037)
At 30 June 2011 (unaudited and restated)	101,828	2,011,157	5,800	31,310	(116)	136,854	(1,156,681)	1,130,152	–	1,130,152

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 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(26,471)**	(3,207)
Net cash from investing activities	**13,932**	68,443
Net cash used in financing activities	**(5,735)**	(42,161)
Net (decrease) increase in cash and cash equivalents	**(18,274)**	23,075
Cash and cash equivalents at beginning of the period	**43,533**	30,767
Effect of foreign exchange rate changes	**108**	(4)
Cash and cash equivalents at end of the period, representing bank balances and cash	**25,367**	53,838

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

Other than disclosed in note 3(b), the application of the above amendments to HKFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

For the six months ended 30 June 2012

3. PRIOR PERIOD ADJUSTMENTS

(a) Correction of prior period error

A loss on redemption of convertible notes of approximately HK$8,106,000 was recognised in the condensed consolidated income statement for the six months ended 30 June 2011. During the year ended 31 December 2011, the directors of the Company have discovered that the consideration paid for redemption of the convertible notes (the "Consideration") was not allocated into the liability and equity components of the convertible notes at the date of redemption while calculating the gain or loss on the redemption of convertible notes.

By allocation of the Consideration into liability and equity components of the convertible notes, a gain on redemption of convertible notes of approximately HK$2,931,000 should be recognised in the condensed consolidated income statement for the six months ended 30 June 2011 in which same accounting treatment was applied in the consolidated financial statements for the year ended 31 December 2011. As such, condensed consolidated financial statements for the six months ended 30 June 2011 have been restated and the amounts of the prior period correction for each financial statement line item affected are presented in the tables in note 3(c) below. The correction of prior period error has no effect on the consolidated financial statements for the year ended 31 December 2011.

(b) Changes in accounting policy

As set out in note 2, the Group has applied, for the first time, amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" ("HKAS 12") issued by the HKICPA. Under the amendments to HKAS 12, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolios and concluded that the Group's investment property located in Hong Kong is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment property. Previously, the Group recognised deferred taxes on changes in fair value of the investment property on the basis that the entire carrying amount of the property was recovered through use.

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

For the six months ended 30 June 2012

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(b) Changes in accounting policy *(Continued)*

The amendments to HKAS 12 have been applied retrospectively and the effect of the change in accounting policy on the results for the preceding interim periods and financial positions of the Group as at the end of the immediately preceding financial year by line items are presented in the tables in note 3(c) below.

(c) Summary of the effect of prior period adjustments

Condensed consolidated income statement and statement of comprehensive income for the six months ended 30 June 2011:

	As previously reported	Adjustments		As restated
		Note 3(a)	Note 3(b)	
	HK$'000	HK$'000	HK$'000	HK$'000
(Loss) gain on redemption of convertible notes	(8,106)	11,037	–	2,931
Taxation	5,050	–	(5,050)	–
Loss for the period attributable to owners of the Company	49,920	(11,037)	(5,050)	33,833
Total comprehensive expenses for the period attributable to owners of the Company	49,779	(11,037)	(5,050)	33,692

Condensed consolidated financial position as at 31 December 2011:

	As previously reported	Adjustment	As restated
		Note 3(b)	
	HK$'000	HK$'000	HK$'000
Deferred tax liabilities	33,910	(3,575)	30,335
Total effects on net assets	462,353	3,575	465,928
Accumulated losses, total effects on equity	2,057,907	(3,575)	2,054,332

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

For the six months ended 30 June 2012

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(c) Summary of the effect of prior period adjustments *(Continued)*

Condensed consolidated financial position as at 1 January 2011:

	As previously reported	Adjustment	As restated
		Note 3(b)	
	HK$'000	HK$'000	HK$'000
Deferred tax liabilities	11,678	(1,000)	10,678
Total effects on net assets	1,036,981	1,000	1,037,981
Accumulated losses, total effects on equity	1,123,848	(1,000)	1,122,848

Impact on basic and diluted loss per share:

	Six months ended 30 June 2011
	HK cents
Basic and diluted loss per share, as previously reported	(0.51)
Adjustments in relation to:	
– correction of prior period error (note 3(a))	0.11
– changes in accounting policy (note 3(b))	0.05
Basic and diluted loss per share, as restated	(0.35)

4. TURNOVER AND SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided as follows:

(i) Electronic products segment engages in the manufacture and trading of electronic and electrical parts and components.

(ii) Logistics services segment engages in providing shipping and transportation logistics services.

(iii) Property investment segment engages in property investments.

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

For the six months ended 30 June 2012

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results

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

For the six months ended 30 June 2012

	Electronic products HK$'000 (Unaudited)	Logistics services HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Sales to external customers	251,906	67,713	–	319,619
Other income	1,420	89	–	1,509
Total segment revenue	253,326	67,802	–	321,128
Contribution to segment results	(35,341)	(11,744)	(1,339)	(48,424)
Impairment loss on trade and bills receivables	–	(5,174)	–	(5,174)
Impairment loss on other receivables	–	(228)	–	(228)
Segment results	(35,341)	(17,146)	(1,339)	(53,826)
Unallocated corporate income				654
Share of results of an associate				705
Unallocated corporate expenses				(11,195)
Finance costs				(9,259)
Loss before taxation				(72,921)

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

For the six months ended 30 June 2012

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results *(Continued)*

For the six months ended 30 June 2011

	Electronic products HK$'000 (Unaudited)	Logistics services HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Total HK$'000 (Unaudited and restated)
Sales to external customers	415,034	10,434	–	425,468
Other income	–	91	–	91
Total segment revenue	415,034	10,525	–	425,559
Contribution to segment results	(12,476)	(2,316)	28,683	13,891
Amortisation of other intangible assets	–	(25,547)	–	(25,547)
Segment results	(12,476)	(27,863)	28,683	(11,656)
Unallocated corporate income				3,885
Unallocated corporate expenses				(11,123)
Finance costs				(14,939)
Loss before taxation				(33,833)

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

For the six months ended 30 June 2012

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Segment assets

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

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Electronic products	**322,930**	341,120
Logistics services	**367,199**	407,043
Property investment	**315,166**	315,150
Unallocated assets	**93,683**	123,567
Total assets	**1,098,978**	1,186,880

5. FINANCE COSTS

	Six months ended 30 June	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Borrowing costs on:		
– bank borrowings not wholly repayable within five years	**808**	757
– obligations under finance leases	**6**	13
Imputed interest on convertible notes	**9,253**	14,926
	10,067	15,696

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

For the six months ended 30 June 2012

6. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**27,002**	20,483
Impairment loss on trade and bills receivables	**5,174**	–
Impairment loss on other receivables	**228**	–
Write-offs of property, plant and equipment	**36**	–
Net (gain) loss on disposals of property, plant and equipment	**(530)**	115
Bank interest income	**(221)**	(32)
Investment income	**(135)**	–
Interest income from a related company	**(58)**	(157)
Interest income from advances	**(229)**	(353)
Interest income on finance leases	**(6)**	–
Net exchange loss (gain)	**449**	(411)

7. TAXATION

No provision for Hong Kong Profits Tax have been made for the six months ended 30 June 2012 and 2011 as the Group had no assessable profits arising in Hong Kong for both reporting periods. The tax rate of Hong Kong Profits Tax is 16.5%.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries and the associate registered in the PRC is 25%.

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

For the six months ended 30 June 2012

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(71,984)**	(33,833)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**11,952,708**	9,753,508

The calculation of diluted loss per share for the six months ended 30 June 2012 and 2011 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 calculation of diluted loss per share for the six months ended 30 June 2012 and 2011 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 for both reporting periods.

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

For the six months ended 30 June 2012

10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the six months ended 30 June 2012, the Group spent approximately HK$445,000 (six months ended 30 June 2011: approximately HK$17,282,000) for the acquisition of property, plant and equipment.

Property, plant and equipment with a net carrying value of approximately HK$7,729,000 were disposed of by the Group during the six months ended 30 June 2012 (six months ended 30 June 2011: approximately HK$115,000), resulting in a net gain on disposals of approximately HK$530,000 (six months ended 30 June 2011: net loss on disposals of approximately HK$115,000).

The Group's investment property as at 30 June 2012 and 31 December 2011 were fair valued by Savills Valuation and Professional Services Limited ("Savills"), an independent qualified professional valuer not connected with the Group. Savills has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions. During the six months ended 30 June 2012, there was no change in fair value of investment property (six months ended 30 June 2011: increase in fair value of approximately HK$30,000,000).

As at 30 June 2012 and 31 December 2011, the investment property has been pledged to secure bank borrowings of the Group. Details of bank borrowings are set out in note 15.

11. GOODWILL

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
At beginning of the period/year	**38,826**	657,895
Acquisition of subsidiaries	**–**	38,391
Impairment loss recognised	**–**	(657,895)
Exchange realignment	**(328)**	435
At end of the period/year	**38,498**	38,826

Goodwill acquired through business combinations has been allocated to CITIC Logistics (International) Company Limited ("CLI") and CITIC Logistics Company Limited ("CLBJ") within the logistics services segment of the Group. The carrying amount of goodwill (net of accumulated impairment) attributable to CLI and CLBJ as at 30 June 2012 amounted to nil (31 December 2011: nil) and approximately HK$38,498,000 (31 December 2011: approximately HK$38,826,000) respectively.

No impairment loss had been recognised in respect of goodwill during the six months ended 30 June 2012.

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

For the six months ended 30 June 2012

12. OTHER INTANGIBLE ASSETS

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
At beginning of the period/year	140,505	118,000
Acquisition of subsidiaries	–	138,911
Amortisation	–	(51,519)
Impairment loss recognised	–	(66,481)
Exchange realignment	(1,197)	1,594
At end of the period/year	139,308	140,505

As at 30 June 2012, the carrying amount of other intangible assets of approximately HK$139,308,000 (31 December 2011: approximately HK$140,505,000) was attributable to the service agreement arising from the acquisition of CLBJ. The service agreement had a valid period of eight years and related to the exclusive rights to invest, build and operate the Zhanjiang projects that include the provision of raw materials transportation, specialised tanker transportation and relating services for the 寶鋼湛江鋼鐵有限公司 (Bao Steel Zhanjiang Steel Company Limited*).

No impairment loss had been recognised in respect of other intangible assets during the six months ended 30 June 2012.

13. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 180 days to its trade customers.

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

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Current	146,540	156,237
Overdue:		
– within 3 months	12,516	22,091
– 4 – 6 months	2,260	2,341
– 7 – 12 months	2,469	3,234
– over 12 months	29,398	53,444
	193,183	237,347

* *For identification purpose only*

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

For the six months ended 30 June 2012

14. TRADE AND BILLS PAYABLES

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

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Current	**70,957**	55,832
Overdue:		
– within 3 months	**11,626**	10,802
– 4 – 6 months	**45**	498
– 7 – 12 months	**–**	689
– over 12 months	**4,635**	4,635
	87,263	72,456

15. BANK BORROWINGS

During the six months ended 30 June 2012, the Group repaid bank borrowings of approximately HK$4,758,000 (six months ended 30 June 2011: approximately HK$4,757,000).

The bank borrowings are secured by the Group's investment property with carrying value of approximately HK$315,000,000 (31 December 2011: approximately HK$315,000,000) and corporate guarantee provided by the Company.

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

For the six months ended 30 June 2012

16. CONVERTIBLE NOTES

During the six months ended 30 June 2011, convertible notes of the Company with aggregate principal amount of HK$36,000,000 (six months ended 30 June 2012: nil) were redeemed resulting in a gain on redemption of approximately HK$2,931,000 (six months ended 30 June 2012: nil).

The imputed interest charged on the convertible notes for the six months ended 30 June 2012 amounted to approximately HK$9,253,000 (six months ended 30 June 2011: approximately HK$14,926,000).

17. SHARE CAPITAL

	Number of shares '000	HK$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 30 June 2012	30,000,000	300,000
Issued and fully paid:		
At 1 January 2011	8,682,790	86,828
Issue of shares upon acquisition of subsidiaries (note (a))	371,720	3,717
Issue of shares upon conversion of convertible notes (note (b))	2,700,000	27,000
At 31 December 2011	11,754,510	117,545
Issue of shares for settlement of balance consideration for acquisition of subsidiaries (note (c))	212,189	2,122
At 30 June 2012	11,966,699	119,667

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

For the six months ended 30 June 2012

17. SHARE CAPITAL *(Continued)*

Notes:

(a) On 7 November 2011, 371,720,000 ordinary shares of HK$0.01 each were issued at the closing market price of HK$0.103 per share as settlement for part of the consideration for the acquisition of 90% equity interest in CLBJ (the "CLBJ Acquisition"). Details of the CLBJ Acquisition are set out in note 43 of the Company's consolidated financial statements for the year ended 31 December 2011 contained in its 2011 annual report. These new shares issued ranked pari passu with other shares then in issue in all respects. The premium arising from the issue of these new shares of approximately HK$34,570,000 was credited to the share premium account. No direct issue costs related to the issue of these new shares were allocated as the directors of the Company were of the opinion that the amount was insignificant.

(b) During the year ended 31 December 2011, convertible notes of the Company with aggregate principal amount of HK$324,000,000 were converted into 2,700,000,000 ordinary shares of HK$0.01 each at a conversion price of HK$0.12 per share. These new shares issued ranked pari passu with other shares then in issue in all respects.

(c) On 20 January 2012, 212,189,000 ordinary shares of HK$0.01 each were issued at HK$0.103 per share, the closing market price at the date of completion of the CLBJ Acquisition on 7 November 2011, as settlement of balance consideration for the CLBJ Acquisition. These new shares issued ranked pari passu with other shares then in issue in all respects. The premium arising from the issue of these new shares of approximately HK$19,734,000 was credited to the share premium account. No direct issue costs related to the issue of these new shares were allocated as the directors of the Company were of the opinion that the amount was insignificant.

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

For the six months ended 30 June 2012

18. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties.

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

	Amounts owed by related parties		**Amounts owed to related parties**	
	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)	**30 June 2012 HK$'000 (Unaudited)**	31 December 2011 HK$'000 (Audited)
Trade receivables from SUN International Investment Holdings Limited ("SUN International") (note (i))	**–**	5,174	**–**	–
Trade receivables from an associate (note (ii))	**1,835**	2,954	**–**	–
Interest receivables due from SUN International (included in other receivables) (note (i))	**–**	170	**–**	–
Dividend receivables from an associate (note (ii))	**1,072**	1,835	**–**	–
Other payables to Mr. Li Weimin ("Mr. Li") (note (iii))	**–**	–	**–**	442
Other payables to a shareholder of the Company (note (iii))	**–**	–	**–**	21,414
Directors' fee payable (included in other payables)	**–**	–	**1,833**	–

Notes:

(i) Mr. Li, a director of the Company, is a director of SUN International and indirectly holds 40% equity interest in SUN International. Except for an amount due from SUN International of approximately HK$2,195,000 (31 December 2011: approximately HK$2,195,000) which was interest-bearing at 5.346% per annum, the remaining amount due from SUN International was unsecured, interest-free and has a credit period of 180 days. During the six months ended 30 June 2012, the amounts due from SUN International have been fully impaired.

(ii) The amounts are unsecured, interest-free and repayable on demand.

(iii) The amounts are consideration payable in connection with the CLBJ Acquisition. During the six months ended 30 June 2012, the balances have been fully settled by issuance of the Company's shares (note 17(c)).

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

For the six months ended 30 June 2012

18. RELATED PARTY TRANSACTIONS *(Continued)*

(b) During the six months ended 30 June 2012, interest income from SUN International amounted to approximately HK$58,000 (six months ended 30 June 2011: approximately HK$157,000). The interest income was charged according to the logistics services agreement entered into.

(c) During the six months ended 30 June 2012, logistics services income from an associate amounted to approximately HK$13,922,000 (six months ended 30 June 2011: nil). The logistics services income was charged according to mutually agreed terms.

(d) On 30 June 2011, the Company entered into an agreement with CLBJ pursuant to which the Company agreed to provide a guarantee in the maximum amount of RMB3,300,000 to CLBJ (the "Guarantee") to facilitate the availability of bid securities. The Guarantee was terminated and released on 2 November 2011. At the time when the Guarantee was entered, CLBJ was a related company and the Company's director, Mr. Li, was a director and shareholder of CLBJ. Details of the transaction are set out in the Company's announcement dated 30 June 2011.

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

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term benefits	**4,505**	4,073
Post-employment benefits	**166**	84
	4,671	4,157

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

For the six months ended 30 June 2012

19. CONTINGENT LIABILITIES

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

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

20. LITIGATIONS

(a) Prior to the acquisition by the Group, CLBJ had an arbitration in process. The arbitration was filed to the China Maritime Arbitration Commission (the "Commission") by a marine transportation company (the "Marine Transportation Company"), a former handling agent of CLBJ, against CLBJ. The underlying claim amounted to US$12,779,000. Simultaneously, CLBJ had also filed a counter claim against the Marine Transportation Company as the directors of CLBJ were in the opinion that the Marine Transportation Company had breached of services contract entered into between the Marine Transportation Company and CLBJ. According to the arbitral decision and the subsequent execution court order, CLBJ was required to make a payment including interest and other costs in aggregate of approximately HK$53,450,000 (the "Arbitration Compensation"). Up to 30 June 2012, the payment has been fully settled.

Mr. Li, a former shareholder of CLBJ, and Pioneer Blaze Limited ("Pioneer Blaze"), a former beneficial shareholder of CLBJ, had agreed to indemnify CLBJ from the Arbitration Compensation. Immediate prior to the acquisition, New Wealth Logistics Limited, an intermediate holding company of CLBJ also acquired by the Group together with CLBJ, had an amount due to Pioneer Blaze of approximately HK$162,070,000. The indemnification receivable was offset against the amount due to Pioneer Blaze pursuant to the sale and purchase agreement for the CLBJ Acquisition during the year ended 31 December 2011.

Details regarding the above were set out in the Company's circular dated 28 February 2011 and the Company's announcements dated 7 July 2011, 7 September 2011 and 3 November 2011.

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

For the six months ended 30 June 2012

20. LITIGATIONS *(Continued)*

(b) On 2 August 2012, CLBJ received a summons dated 2 August 2012 and a civil order dated 5 July 2012 (the "Civil Order") issued by the People's Court of Chaoyang District of Beijing (the "Beijing Court") regarding a lawsuit from CITIC Automobile Company Limited ("CITIC Auto") against CLBJ (the "CITIC Auto Lawsuit") in relation to a claim of the repayment of shareholder loans and relevant interest (the "CITIC Auto Loan") in the amount of approximately RMB39,824,000 plus other expenses and interest (the "CITIC Auto Claim"). Pursuant to the Civil Order, the Beijing Court accepted the application by CITIC Auto for property attachment prior to lawsuit to freeze CLBJ's bank accounts in the amount of RMB39,824,000 or other assets under the name of CLBJ.

The CITIC Auto Loan was made to CLBJ by CITIC Auto before CLBJ became a subsidiary of the Group and it was recorded by CLBJ as approximately RMB23,344,000 upon completion of the CLBJ Acquisition (the "Recorded CITIC Auto Loan"). Based on the advice obtained from the Company's lawyer, pursuant to the sales and purchase agreement for the CLBJ Acquisition, the vendors, Mr. Li and Pioneer Blaze, and the guarantor, Mr. Lim Chuan Yang, are obliged to indemnify the Group against any loss arising from discrepancies between the Recorded CITIC Auto Loan and CITIC Auto Claim.

According to information provided by 中信國華國際工程承包有限責任公司 (CITIC International Contracting Inc.*) ("CITIC Contracting") to CLBJ, the Beijing Court issued an assistance execution notice（協助執行通知書）dated 23 July 2012 to CITIC Contracting in connection with the CITIC Auto Lawsuit, pursuant to which, CITIC Contracting was required to freeze the trade receivables due to the Group in the amount of US$3,289,000 and RMB3,125,000 respectively (the "CITIC Contracting Overdue"). Without the prior permission from the Beijing Court, CITIC Contracting shall not make any payment of the CITIC Contracting Overdue to the Group. In addition, in connection with the CITIC Auto Lawsuit, a CLBJ's bank informed CLBJ that at the request of the Beijing Court, one of CLBJ's bank accounts with an amount of approximately RMB244,000 has been frozen.

The court hearing regarding the CITIC Auto Lawsuit was held on 22 August 2012, and the hearing was adjourned to 3 September 2012. Up to the date of this report, no judgment had been made by the Beijing Court.

21. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 June 2012, deposits paid for potential investments and other receivables including interest accrued in aggregate of approximately HK$52,822,000 were offset against the amount due to Pioneer Blaze, pursuant to a guarantee provided by Pioneer Blaze to the Group on 29 March 2012. After the offsetting, the remaining balance of the shareholder loan due to Pioneer Blaze is approximately HK$55,798,000.

* *For identification purpose only*