泰豐國際集團有限公司*

Sino-Tech International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

Annual Report 2012

*For Identification Purpose Only

Contents

Corporate Information

EXECUTIVE DIRECTORS
Mr. Lam Yat Keung *(President)*
Mr. Lim Chuan Yang *(Chief Executive Officer)*
Mr. Huang Hanshui
Mr. Lam Hung Kit

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Chau Pong Chi
Ms. Ching Betty Siu Kuen
Mr. Ho Chi Fai
Ms. Liu Yanfang
Professor Ma Hongwei

AUDIT COMMITTEE
Mr. Ho Chi Fai *(Chairman)*
Mr. Chau Pong Chi
Ms. Ching Betty Siu Kuen
Ms. Liu Yanfang
Professor Ma Hongwei

REMUNERATION COMMITTEE
Professor Ma Hongwei *(Chairman)*
Mr. Chau Pong Chi
Ms. Ching Betty Siu Kuen
Mr. Ho Chi Fai
Ms. Liu Yanfang

NOMINATION COMMITTEE
Mr. Chau Pong Chi *(Chairman)*
Ms. Ching Betty Siu Kuen
Mr. Lim Chuan Yang
Ms. Liu Yanfang
Professor Ma Hongwei

SPECIAL COMMITTEE
Mr. Ho Chi Fai *(Chairman)*
Mr. Chau Pong Chi
Ms. Ching Betty Siu Kuen
Ms. Liu Yanfang
Professor Ma Hongwei

INVESTMENT COMMITTEE
Mr. Chau Pong Chi *(Chairman)*
Ms. Ching Betty Siu Kuen
Mr. Ho Chi Fai
Professor Ma Hongwei

COMPANY SECRETARY
Mr. Chan Chun Fat

AUDITOR
SHINEWING (HK) CPA Limited

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Securities Services (Bermuda) Limited
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Bermuda

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

RESULTS OVERVIEW

During the year ended 31 December 2012 (the "Reporting Period"), Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a turnover from continuing operation of approximately HK$572.5 million, representing a decrease of 22.9% compared with approximately HK$742.3 million for the year ended 31 December 2011 (the "Corresponding Period").

Loss from continuing operation for the Reporting Period was reduced to approximately HK$80.7 million from approximately HK$165.5 million in the Corresponding Period. Loss from discontinued operations for the Reporting Period was approximately HK$270.3 million as compared with approximately HK$768.7 million in the Corresponding Period. Loss from continuing operation and discontinued operations for the Reporting Period was approximately HK$351.0 million as compared with approximately HK$934.2 million in the Corresponding Period. The loss for the Reporting Period was mainly attributable to the impairment loss on amounts due from former subsidiaries, other intangible assets, goodwill and property, plant and equipment, the operating loss, the loss arising on change in fair value of investment property, the imputed interest expenses on convertible notes and the provision for financial guarantees.

The impairment loss on amounts due from former subsidiaries, other intangible assets, goodwill and property, plant and equipment, the gain on deconsolidation of subsidiaries, the loss/gain arising on change in fair value of investment property, the imputed interest expenses on convertible notes, the provision for financial guarantees, the amortisation of other intangible assets, share option expenses, allowance of inventories and the gain on redemption of convertible notes (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 approximately HK$49.1 million in the Reporting Period, as compared with a net loss of approximately HK$81.7 million in the Corresponding Period.

Results Overview and Financial Highlights

FINANCIAL HIGHLIGHTS

	2012 HK$'000	2011 HK$'000 (Restated)
Turnover from continuing operation	572,451	742,279
Gross profit (loss) from continuing operation	4,785	(42,199)
Loss for the year from continuing operation	(80,702)	(165,536)
Loss for the year from discontinued operations	(270,283)	(768,705)
Loss for the year	(350,985)	(934,241)
Impairment loss on other intangible assets	(141,816)	(66,481)
Gain on deconsolidation of subsidiaries	136,065	–
Impairment loss on amounts due from former subsidiaries	(178,906)	–
Impairment loss on goodwill	(39,191)	(657,895)
(Loss) gain arising on change in fair value of investment property	(36,000)	15,000
Impairment loss on property, plant and equipment	(15,098)	(21,464)
Imputed interest expenses on convertible notes	(18,607)	(24,095)
Provision for financial guarantees	(8,300)	–
Amortisation of other intangible assets	–	(51,519)
Share option expenses	–	(33,081)
Allowance of inventories	–	(15,903)
Gain on redemption of convertible notes	–	2,931
Loss for the year before impairment loss on other intangible assets, goodwill, property, plant and equipment and amounts due from former subsidiaries, gain on deconsolidation of subsidiaries, (loss) gain arising on change in fair value of investment property, imputed interest expenses on convertible notes, provision for financial guarantees, amortisation of other intangible assets, share option expenses, allowance of inventories and gain on redemption of convertible notes	(49,132)	(81,734)

BUSINESS AND FINANCIAL REVIEW

As announced by the Company on 25 April 2012, the Board noted that Mr. Li Weimin ("Mr. Li"), the former executive Director and Chairman of the Company, was assisting the relevant authorities in the People's Republic of China ("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 was advised by the relevant authorities that only Mr. Li was under investigation and that the Investigation did not relate to the Group. Subsequently, as announced by the Company on 14 June 2012 and 8 November 2012, the Board set up the Special Committee to handle matters which may arise from and related to the Investigation, and resolved on the suspension of Mr. Li's duties with effect from 16 May 2012 and the vacation of Mr. Li's offices with effect from 8 November 2012 as an executive Director and the Chairman of the Company pursuant to the bye-laws of the Company (the "Bye-laws"). During the Reporting Period, Mr. Li was also removed as a director and/or the legal representative of the relevant companies within the Retained Group (as defined below).

As set out in the Company's announcement dated 3 August 2012 and circular dated 22 October 2012 (the "Circular"), CITIC Automobile Company Limited ("CITIC Auto") filed a lawsuit (the "CITIC Auto Lawsuit") with a court in Beijing (the "Beijing Court") against CITIC Logistics Company Limited (中信物流有限公司) ("CLBJ") in relation to a claim (the "CITIC Auto Claim") of the repayment of shareholder loan and relevant interest (the "CITIC Auto Loan"). The CITIC Auto Lawsuit also revealed that there was a discrepancy between the CITIC Auto Claim and the recorded CITIC Auto Loan (the "Discrepancies"). However, the Company was unable to clarify with Mr. Li regarding the Discrepancies. In connection with the CITIC Auto Lawsuit, certain trade receivables due from CITIC International Contracting Inc. (中信國華國際工程承包有限責任公司) to CITIC Logistics (International) Company Limited ("CLI") and CLBJ and one of CLBJ's bank accounts had been frozen by the Beijing Court.

The Investigation and the CITIC Auto Lawsuit had caused adverse impacts on the financial and business operations of CLBJ and CLI, which were the operating subsidiaries of the Company for the logistics services business. As announced by the Company on 3 August 2012 and 12 December 2012, CITIC Auto required that CLBJ and its subsidiary cease to use the logo and the name of "CITIC" or "中信", and the Company understood that such cessation may affect the continuation of the Zhanjiang Projects. On 22 August 2012, CLBJ received a notice from Bao Steel Zhanjiang Steel Company Limited (寶鋼湛江鋼鐵有限公司) informing CLBJ that the construction of the Zhanjiang Steel Base Project had formally commenced on 31 May 2012.

It was estimated that the Zhanjiang Projects would require a total investment of approximately RMB466.0 million. However, neither CLBJ nor the Group had sufficient funds to invest in the Zhanjiang Projects. As advised by the PRC lawyer of the Group, there was a risk that CLBJ may have already breached the terms of the relevant contracts, and the counterparty to the contracts can and may take legal actions against CLBJ for losses and damages. As announced by the Company on 30 November 2012 and 12 December 2012, business activities in the Beijing head office of CLBJ had ceased although business of its branch offices in other places in the PRC were still under operation.

Given the adverse situations faced by the Zhanjiang Projects, CLBJ and its subsidiary as mentioned above, the Board considered that the entire amount of goodwill and other intangible assets attributable to CLBJ and its subsidiary were irrecoverable. As set out in notes 20 and 21 to the consolidated financial statements, an impairment loss on goodwill in the amount of approximately HK$39.2 million and an impairment loss on other intangible assets related to the Zhanjiang Projects in the amount of approximately HK$141.8 million were recognised for the Reporting Period, respectively.

As announced by the Company on 12 December 2012 and 27 December 2012, the Board, having considered the operations, prospects and issues surrounding CLI and its subsidiaries, resolved that it was in the interests of the Company and its shareholders to wind up CLI. The winding-up of CLI would help the Company to be insulated from the consequences of any legal actions and claims against the CLI Group (as defined below). The resolution for the voluntary winding-up of CLI under section 241 of the Companies Ordinance (the "Winding-up") was passed by the sole shareholder of CLI on 27 December 2012 and the winding-up process of CLI commenced. On the same date, the liquidators were appointed in connection with the Winding-up. As at the date of this report, the Winding-up is still in process.

Upon the commencement of the Winding-up, the Company lost its control over CLI, and accordingly CLI ceased to be a subsidiary of the Company. As a result, the financial results and position of CLI together with its subsidiaries and associate (collectively, the "CLI Group") were deconsolidated from those of the Group on 27 December 2012 (the "Deconsolidation"). The Group excluding the CLI Group upon commencement of the Winding-up is referred to as the Retained Group in this report. As announced by the Company on 12 December 2012, the Company and its remaining subsidiaries are the largest creditors of CLI. The proceeds, if any, from the realisation and/or disposal of the assets and/or the business of the CLI Group will be distributed to all creditors of CLI proportionally in due course after deducting all the preferential payments and relevant costs relating to the Winding-up. At this stage, the Company is unable to ascertain the extent of recovery from the Winding-up.

As set out in note 1 to the consolidated financial statements, neither the Company nor the liquidators of CLI were able to obtain the complete set of accounting books and records of CLBJ and its subsidiary and associate (collectively, the "CLBJ Group") for the period from 1 January 2012 to 27 December 2012 (the date of the Deconsolidation) due to the un-cooperation of the finance personnel of CLBJ and its subsidiary amid the adverse situations faced by the CLBJ Group and the Winding-up. Accordingly, the Group recorded the loss for the year from discontinued operation and cash flows relating to the CLBJ Group based on their unaudited financial information for the period from 1 January 2012 to 30 June 2012, which were the latest management accounts available to the Company. In light of this, the Company's auditor, SHINEWING (HK) CPA Limited issued a disclaimer of opinion on the financial performance and cash flows of the Group and the relevant disclosures to the consolidated financial statements, and an unqualified opinion on the financial position of the Retained Group as set out in the Independent Auditor's Report for the Reporting Period in pages 33 to 36 of this report.

Based on the financial information available to the Company, the Deconsolidation resulted in a gain of approximately HK$136.1 million for the Retained Group, as set out in notes 13 and 45 to the consolidated financial statements. In addition, as a result of the Winding-up, the Retained Group impaired the receivables due from the CLI Group of approximately HK$178.9 million, as set out in note 13 to the consolidated financial statements. Further, the Company has provided a corporate guarantee in relation to other borrowing of HK$8 million (the "Principal") made by an independent third party to CLI. The Company, therefore, has made provisions of approximately HK$8.3 million for the Principal and the interest accrued as a result of the Winding-up, as set out in note 37 to the consolidated financial statements. Summing up the above, it is estimated that the overall financial impact on the Retained Group from the Winding-up was a loss of approximately HK$51.1 million.

During the Reporting Period, as reported in the 2012 Interim Report of the Company, 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 believed that the Amount Due from SUN International was irrecoverable. Details of the Amount Due from SUN International were set out in note 51 to the consolidated financial statements. Separately, 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 and the deeds of assignment and the deed of agreement dated 23 August 2012, as set out in note 39 to the consolidated financial statements. After the offsetting, the remaining balance of the shareholder loan due to Pioneer Blaze was approximately HK$55.8 million, which was subsequently deconsolidated from the Retained Group, as set out in note 45 to the consolidated financial statements.

Management Discussion and Analysis

Based on the financial information available to the Company, the logistics services segment reported revenue of HK$80.3 million and a loss of HK$23.7 million in terms of contribution to segment results in the Reporting Period. These compared with revenue of HK$42.2 million and a loss of HK$8.2 million in terms of contribution to segment results in the Corresponding Period. The main reasons attributable to the loss in the Reporting Period were the loss incurred by CLBJ and that shipments for the Angola Project were not resumed.

The property investment segment reported a loss of HK$38.7 million in the Reporting Period, as compared with a profit of HK$12.3 million in the Corresponding Period, mainly due to a decrease in the fair value of the investment property. As set out in the Company's announcement dated 25 September 2012 and the Circular, the Company disposed of the investment property at a total consideration of HK$285.0 million (the "Disposal"). It is expected that the completion of the Disposal shall take place on 8 April 2013 or such other date agreed by both parties in writing.

The electronic products segment reported a drop of 22.9% in turnover to HK$572.5 million in the Reporting Period from approximately HK$742.3 million in the Corresponding Period. Loss for the segment, however, was reduced to approximately HK$31.7 million in the Reporting Period from approximately HK$97.9 million in the Corresponding Period. Following the lackluster performance in the first half of 2012 (the "1H2012") mainly due to a significant drop in demand and severe competition, this segment has turned around in the second half of 2012 (the "2H2012") with a profit of approximately HK$3.6 million as compared with a loss of approximately HK$35.3 million in the 1H2012. Turnover in the 2H2012 recorded an increase of 27.3% to approximately HK$320.6 million from approximately HK$251.9 million in the 1H2012. The improved performance in the 2H2012 was mainly attributed to tightened cost control, the focus on products with higher margins and a rebound in demand as the quantitative easing programs by various central banks helped to improve market confidence which in turn contributed to an increase in consumption.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2012, the Group had bank balances and cash of HK$41.9 million (2011: HK$43.5 million). The Group's current ratio (measured as total current assets to total current liabilities) was 2.0 times (2011: 1.3 times).

As at 31 December 2012, the secured bank borrowings (which was included in the liabilities directly associated with asset classified as held for sale) of the Group amounted to HK$143.6 million (2011: HK$153.1 million), which were secured by the investment property (which was included in the asset classified as held for sale) of the Group with carrying value of HK$279.0 million (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 148.6% (2011: 32.9%). The increase in the gearing ratio was mainly due to the drop in total equity.

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

As at 31 December 2012, the Group did not have any capital expenditure commitments (2011: nil).

The Directors believe that existing financial resources will be sufficient for current operations requirement. As the proceeds from the Disposal will be used to fully repay the secured bank borrowings and as general working capital, the Directors believe that the financial position of the Group will be strengthened after the completion of the Disposal.

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 27 December 2012, the board of directors of one of the Company's direct wholly-owned subsidiary, Top Victory Industries Limited, the sole shareholder of CLI, resolved to voluntarily wind up CLI and the winding-up process of CLI has commenced. On the same date, the liquidators were appointed in connection with the Winding-up. As at the date of this report, the Winding-up its still in process. Upon the commencement of the Winding-up of CLI, the Company lost its control over CLI, and accordingly CLI ceased to be a subsidiary of the Company and the financial results and position of the CLI Group were deconsolidated from those of the Group on 27 December 2012. For details regarding the Winding-up, please refer to the announcements of the Company dated 12 December 2012 and 27 December 2012.

CHARGE ON GROUP'S ASSETS

As at 31 December 2012, the Group's investment property (which was included in the asset classified as held for sale), with carrying value of HK$279.0 million (2011: HK$315.0 million) was pledged to secure bank borrowings of the Group which was included in the liabilities directly associated with asset classified as held for sale.

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 52 to the consolidated financial statements.

LITIGATIONS

Details of the litigations of the Group are set out in note 53 to the consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2012, the Group had 2,200 (2011: 2,516) full time employees in Hong Kong and the PRC. Total staff costs (including directors' remuneration but excluding share option expenses) for the Reporting Period amounted to approximately HK$57.5 million (2011: HK$43.5 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.

FUTURE OUTLOOK

The global economy may have a propensity for a moderate growth pick-up in 2013 underpinned by continued ultra-accommodative monetary policy from major central banks and as evidenced by some better US economic data and easing Eurozone tensions. According to the International Monetary Fund (the "IMF"), global growth is projected to strengthen to 3.5% in 2013 from 3.2% in 2012. As reported by the Financial Times (the "FT"), in the US, manufacturing grew faster than expected in February 2013 with the purchasing managers' index ("PMI") rising to 54.2 from 53.1 in January 2013, and a slowly improving labour and housing market have supported consumer spending gains in recent months. Nonetheless, downside risks to global growth remains significant including a lengthy fiscal crisis over sequestration that may result in a weaker economy in the US, and renewed setbacks in the euro area if political factors affect the ability to tackle budget problems or if the momentum for reform is not maintained.

The Chinese economy slipped to a growth of 7.8% in 2012, its slowest pace in more than a decade. It has rebounded in the fourth quarter of 2012 growing by 7.9% driven by a pick-up in state investment, a surge in lending and resilient consumer spending, up from 7.4% in the third quarter and breaking a streak of seven consecutive weaker quarters, as reported by the FT and Reuters. Concerns about a rebound in inflation and high property prices, however, have led the Chinese government to tap the brakes, and the pace of expansion in both the manufacturing and service sector retreated to multi-month lows in February 2013. While this has reignited some fears about another slowdown and external demand may continue to languish, the Retained Group concurs with the view that the smooth transition of leadership and increased government spending will likely support a stable but mild growth recovery. The Retained Group notes that the Chinese government has planned a record budget deficit of RMB1.2 trillion for 2013 representing a 50% jump year-on-year. The IMF forecast that the Chinese economy will grow 8.2% in 2013.

As announced by the Company on 25 September 2012 and in the Circular, the proceeds from the Disposal will be used to repay the existing bank borrowings and as general working capital, which will strengthen the financial position of the Retained Group. After commencement of the Winding-up, the Retained Group no longer conducts logistics services business and will deploy its resources to focus on the electronic products segment and other opportunities that may arise.

The electronic products segment is still facing severe competition in the market, a shortage of labour, and rising labour and material costs. Although all these factors can undermine the recovery of the electronic products business, the Retained Group will continuously try to streamline its electronic products operation, concentrate on products with higher profit margin and reduce costs by outsourcing its production process and executing necessary cost control programs. With all these implementations and the outlook for a moderate growth pick-up in both the global and Chinese economy, the Retained Group hopes that the electronic products segment will have a better performance in the year of 2013.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Lam Yat Keung, aged 55, was appointed as the President of the Company on 13 December 2003 and stepped down on 2 March 2010. Mr. Lam was re-appointed as the President of the Company on 1 December 2012. Mr. Lam has over 30 years of experience in business development, strategic planning, policy making and research and development in the manufacturing industry in Hong Kong and the PRC, particularly in the consumer products and electronic components sectors. Mr. Lam is currently the President and an executive director of the Company and a director of certain subsidiaries of the Company. He is the husband of Ms. Lam Pik Wah who is a director of certain subsidiaries of the Company. Mr. Lam is the brother-in-law of Mr. Lam Hung Kit who is an executive director of the Company and a director of certain subsidiaries of the Company. For the Reporting Period, Mr. Lam received a total director's emolument of approximately HK$267,000 and other emoluments of approximately HK$1,670,000. With effect from 1 December 2012, Mr. Lam shall be entitled to a total director's emolument of approximately HK$3,200,000 per annum due to the appointment as the President of the Company.

Mr. Lim Chuan Yang, aged 44, was appointed as an executive director and Chief Executive Officer of the Company on 1 January 2012. Mr. Lim holds a bachelor degree of Commerce from the University of Calgary, Canada. Mr. Lim has almost 20 years of experience in equity research, corporate finance and company management. He worked as an equity analyst in Standard and Poor's during the years from 2000 to 2004. As a corporate finance professional with Deloitte Touche Tohmatsu during the years from 2004 to 2009, Mr. Lim initiated and executed a number of successful mergers and acquisitions, private placements, and restructuring transactions involving multinational corporations, PRC State-owned enterprises and private companies. Mr. Lim is currently a director of certain subsidiaries of the Company. For the Reporting Period, Mr. Lim received a fee of HK$600,000 for being an executive director of the Company and other emoluments of approximately HK$2,193,000.

Mr. Huang Hanshui, aged 42, was appointed as an executive director of the Company on 9 March 2010. Mr. Huang holds a Master of Business Administration (MBA) degree from the National University of Singapore and a Bachelor of Arts degree from Xiamen University（廈門大學）. Mr. Huang has over 17 years of experience in financial and risk management, equity research, strategic management, human resources services and sales & marketing. Prior to joining the Company, he worked as an equity analyst in Nomura Securities and Standard & Poor's. Mr. Huang is currently the Chief Financial Officer of the Company and a director of certain subsidiaries of the Company. For the Reporting Period, Mr. Huang received a fee of HK$600,000 for being an executive director of the Company and other emoluments of approximately HK$1,579,000.

Mr. Lam Hung Kit, aged 46, was appointed as an executive director of the Company on 1 December 2012. Mr. Lam once served as an executive director of the Company during the period from 13 December 2003 to 9 July 2010. Mr. Lam has over 25 years of experience in the sales and marketing function of overseas markets for a number of manufacturing companies in Hong Kong and the PRC. During his service in those companies, Mr. Lam was also involved in the materials control and logistics management. Mr. Lam is the brother-in-law of Mr. Lam Yat Keung who is the President and an executive director of the Company. Mr. Lam is currently a director of certain subsidiaries of the Company. For the Reporting Period, Mr. Lam received a fee of HK$50,000 for being an executive director of the Company and other emoluments of approximately HK$156,000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Pong Chi, aged 72, was appointed as an independent non-executive director of the Company on 1 December 2012. Mr. Chau has over 30 years of experience in corporate finance and served various finance corporations as a director. He is currently an executive director of Victon Electronic Technology Ind. Ltd which manufactures positive temperature ceramics and a director of DBK David + Baader GMBH in Germany which manufactures car electronic ceramic heating parts. For the Reporting Period, Mr. Chau received a fee of approximately HK$8,000 for being an independent non-executive director of the Company.

Ms. Ching Betty Siu Kuen, aged 57, was appointed as an independent non-executive director of the Company on 1 December 2012. Ms. Ching holds a Master of Social Science Degree from the University of Mississippi, the United States of America, and she is a member of the Institute of Internal Auditors, Certified Public Accountant of California and American Institute of Certified Public Accountant. Ms. Ching worked in certain manufacturing companies in Hong Kong, the PRC and Macau and has over 25 years working experience in the financial, treasury and internal control field. She worked for Yu-Me (HK) Ltd. from 1993 to 2002 as a treasurer. During the years from 2002 to 2012, she worked for Union Technology International (MCO) Co. Ltd. as assistant general manager. Ms. Ching is the senior manager of PRG Consulting Ltd. For the Reporting Period, Ms. Ching received a fee of approximately HK$8,000 for being an independent non-executive director of the Company.

Mr. Ho Chi Fai, aged 56, was appointed as an independent non-executive director of the Company on 15 January 2004. Mr. Ho graduated from the Hong Kong Polytechnic University in 1979 with a Higher Diploma in Accountancy. Prior to joining the Group, he had over 20 years of experience working in an international bank with particular expertise in money market operations and accounting and was the financial controller of a computer manufacturer and an electronic components manufacturer. For the Reporting Period, Mr. Ho received a fee of HK$90,000 for being an independent non-executive director of the Company.

Biographical Details of Directors

Ms. Liu Yanfang, aged 48, was appointed as an independent non-executive director of the Company on 24 June 2010. Ms. Liu holds a bachelor degree in law from China University of Political Science and Law. She has over 20 years of experience working as a corporate legal counsel and in financial crimes investigations. Ms. Liu is currently a PRC practicing attorney and she has been a senior partner with Allbright Law Offices situated in Shanghai since 2004. From 1992 to 2003, Ms. Liu served various positions with the Ministry of Public Security including as director of the Securities Crime Investigation Department and as deputy director of the Finance Department under the Economic Protection Bureau. From 1987 to 1992, she worked as an attorney for a law firm in Hebei province. For the Reporting Period, Ms. Liu received a fee of HK$90,000 for being an independent non-executive director of the Company.

Professor Ma Hongwei, aged 46, was appointed as an independent non-executive director of the Company on 26 August 2010. Professor Ma graduated from the Department of Mechanics Engineering of Chengdu Science and Technology University in 1986. He obtained a doctorate degree from the Institute of Applied Mechanics of Taiyuan University of Technology in 1996. Professor Ma has over 20 years of experience in education and research. He is currently a Professor of Jinan University, the President of the College of Science and Engineering, Deputy Director of Public Safety Research Centre, Vice President of the Institute of Nuclear Science and Engineering Technology of Jinan University, and the Chief Secretary of Guiding Committee on Education of Mechanics of Ministry of Education. For the Reporting Period, Professor Ma received a fee of HK$90,000 for being an independent non-executive director of the Company.

The board of directors (the "Board") of the Company presents their report and the audited consolidated financial statements of the Company and its subsidiaries for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries as at 31 December 2012 are set out in note 54 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 37 and 38 of this report.

The Board does not recommend the payment of final dividend for the Reporting Period (2011: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years is set out on page 157 of this report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 43 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of movements in the convertible notes of the Company during the Reporting Period are set out in note 40 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 46 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company did not have any reserves available for distribution, as computed in accordance with the Companies Act 1981 of Bermuda (2011: nil). The Company's share premium account of HK$2,210,494,000 (2011: HK$2,190,760,000) could be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the Reporting Period are set out in note 19 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the largest customer and the five largest customers of the Group accounted for 5.95% and 22.38%, respectively, of the total turnover of the Group for the Reporting Period.

The aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for 22.21% and 63.18%, respectively, of the total purchases of the Group for the Reporting Period.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

DIRECTORS

The directors of the Company (the "Directors") during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Li Weimin	(office vacated on 8 November 2012)
Mr. Lam Yat Keung	
Mr. Lim Chuan Yang	(appointed on 1 January 2012)
Mr. Huang Hanshui	
Mr. Lam Hung Kit	(appointed on 1 December 2012)

Non-executive Directors

Mr. Xin Luo Lin	(retired on 8 June 2012)
Academician Liu Renhuai	(resigned on 1 January 2012)

Independent non-executive Directors

Mr. Chau Pong Chi	(appointed on 1 December 2012)
Ms. Ching Betty Siu Kuen	(appointed on 1 December 2012)
Mr. Ho Chi Fai	
Ms. Liu Yanfang	
Professor Ma Hongwei	

Pursuant to Bye-law 86, Mr. Chau Pong Chi, Ms. Ching Betty Siu Kuen and Mr. Lam Hung Kit will hold office until the forthcoming annual general meeting (the "2013 AGM") and, being eligible, will offer themselves for re-election. In accordance with Bye-law 87, Mr. Ho Chi Fai and Professor Ma Hongwei will retire at the 2013 AGM and, being eligible, will offer themselves for re-election at the 2013 AGM.

None of the Directors being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensations, other than statutory compensation.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and those of the five highest paid individuals in the Group are set out in notes 16 and 17 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, 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 corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

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

Name of Directors	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Lam Hung Kit (Note 1)	Beneficial owner, interest of controlled corporation and interest of family	613,760,000	5.13%
Mr. Lam Yat Keung (Note 2)	Interest of family	612,400,000	5.12%

Name of Directors	Capacity	Number of shares and underlying shares held	Percentage of shareholding
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. Lam Hung Kit, an executive Director, is interested in 613,760,000 shares, consisting of (i) a deemed interest in 612,400,000 shares owned by Smart Number Investments Limited ("Smart Number"); and (ii) a deemed interest in 1,360,000 shares owned by Wong Hing Ling (the spouse of Mr. Lam Hung Kit). Smart Number is incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Hung Kit.

2. Mr. Lam Yat Keung, an executive Director, is deemed interested in 612,400,000 shares owned by Smart Number.

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

4. Mr. Huang Hanshui, an executive Director, has a derivative interest in 86,827,895 shares pursuant to share options granted to him on 6 December 2010.

Save as disclosed above, as at 31 December 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which had to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the heading "Directors' interests in shares and underlying shares" above and "Share option scheme" as set out in note 44 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the Directors nor the chief executives of the Company, or any of their spouses or children under the age of 18, had any rights to subscribe for the equity or debt securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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
Mr. Li Weimin (Note 1)	Beneficial owner	4,262,985,823	35.62%
Smart Number (Note 2)	Beneficial owner	612,400,000	5.12%
Ms. Lam Pik Wah	Interest of controlled corporation	612,400,000	5.12%

Notes:

1. Mr. Li Weimin is interested in 4,262,985,823 shares, consisting of (i) an interest in 1,742,985,823 shares beneficially owned and held in his own name; and (ii) a derivative interest in 2,520,000,000 conversion shares to be allotted and issued upon full conversion of the convertible notes issued to him by the Company in the principal amount of HK$302,400,000.

2. The entire issued share capital of Smart Number is beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Hung Kit.

Save as disclosed above, the Company had not been notified any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2012.

SHARE OPTION SCHEME

At the Company's annual general meeting held on 8 June 2012 ("2012 AGM"), the Company terminated the old share option scheme and adopted a new share option scheme. Details are set out in note 44 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Reporting Period.

CONNECTED TRANSACTION

During the Reporting Period, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As set out in note 39 to the consolidated financial statements, 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 and the deeds of assignment and the deed of agreement dated 23 August 2012. Mr. Lim Chuan Yang, an executive director of the Company, was the sole shareholder and a director of Pioneer Blaze. Therefore, Pioneer Blaze was a connected person of the Company as defined under Chapter 14A of the Listing Rules. As such, the above transaction constituted financial assistance provided by a connected person as defined under the Listing Rules. As the above transaction was for the benefit of the Company on normal commercial terms where no security over the assets of the Company was granted in respect of the financial assistance, the above transaction was exempt from the reporting, announcement and independent shareholders' approval requirements according to Rule 14A.65(4) of the Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 22 to 32 of this report.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's principal place of business in Hong Kong has been relocated to 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong with effect from 27 December 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

AUDITOR

SHINEWING (HK) CPA Limited will retire and, being eligible, will offer themselves for re-appointment as auditor of the Company at the 2013 AGM.

On behalf of the Board

Lam Yat Keung
President

Hong Kong, 28 March 2013

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. During the Reporting Period, the Company has applied the principles of and complied with the code provisions ("Code Provisions") of the former Code on Corporate Governance Practices (the "Former Code") in force up to 31 March 2012 and of the new Corporate Governance Code (the "CG Code") effective from 1 April 2012 as set out in Appendix 14 of the Listing Rules except for the following deviation:

Under the Code Provision A.4.1 of the Former Code and 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 nine Directors.

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

BOARD OF DIRECTORS

The Board comprises a balanced composition of Directors who possess a wide spectrum of relevant skills and experience, including four executive Directors and five independent non-executive Directors. All Directors are expressly identified in all corporate communications. The biographical details of each Director are set out on pages 12 to 14 of this report. The Board has established four Board Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Special Committee. After the Reporting Period, the Board has established the Investment Committee on 4 February 2013.

The attendance of the Directors at the Board meetings, Audit Committee, Remuneration Committee, Nomination Committee, the 2012 AGM and the special general meeting held on 6 November 2012 ("SGM") is given below and their respective responsibilities are discussed later in this report.

		No. of meetings attended/held					
		2012 AGM	SGM	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors							
Mr. Li Weimin	(office vacated on 8 November 2012)	0/1 (note 1)	0/1 (note 1)	5/23	N/A	N/A	N/A
Mr. Lam Yat Keung		1/1	1/1	26/26	N/A	N/A	N/A
Mr. Lim Chuan Yang	(appointed on 1 January 2012)	1/1	1/1	26/26	N/A	N/A	2/2
Mr. Huang Hanshui		1/1	1/1	26/26	N/A	N/A	N/A
Mr. Lam Hung Kit	(appointed on 1 December 2012)	N/A	N/A	1/2 (note 2)	N/A	N/A	N/A
Non-executive Directors							
Mr. Xin Luo Lin	(retired on 8 June 2012)	0/1	N/A	10/12	1/1	N/A	N/A
Academician Liu Renhuai	(resigned on 1 January 2012)	N/A	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors							
Mr. Chau Pong Chi	(appointed on 1 December 2012)	N/A	N/A	2/2	N/A	N/A	N/A
Ms. Ching Betty Siu Kuen	(appointed on 1 December 2012)	N/A	N/A	2/2	N/A	N/A	N/A
Mr. Ho Chi Fai		1/1	0/1	26/26	2/2	3/3	N/A
Ms. Liu Yanfang		1/1	0/1	24/26	2/2	3/3	2/2
Professor Ma Hongwei		1/1	0/1	24/26	2/2	3/3	2/2

Notes:

1. Mr. Li Weimin's office as Chairman of the Company was suspended when the 2012 AGM/SGM was held.

2. In respect of the Board meeting that Mr. Lam Hung Kit was unable to attend due to other business commitment, he appointed his alternate to attend the meeting.

Corporate Governance Report

The Board is accountable to shareholders for the performance and activities of the Company and is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. The day-to-day management, operation and administration of the Company are delegated to the management executives while certain key matters such as making recommendation of dividend or other distributions and appointment of Directors are reserved for the approval by the Board.

The Board held meetings from time to time whenever necessary. Notice of at least fourteen days has been given to all Directors for all regular board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent to all Directors within reasonable time before the meeting. Minutes of Board meetings and meetings of the Board Committees are kept by the secretary of the meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

In case a Director has a material interest in the subject matter to be considered by the Board, a Board meeting should be held and such Director must abstain from voting and not being counted towards the quorum in respect of the subject matter of the meeting.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in discharge of their duties.

During the year, the Board complies at all times with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company is of the opinion that the independent status of them remains intact as at 31 December 2012.

Mr. Lam Hung Kit is the brother-in-law of Mr. Lam Yat Keung (the President).

DIRECTORS' TRAINING

The Directors newly appointed during the Reporting Period have received induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Under the Code Provision A.6.5 of the CG Code, all Directors should participate in continuous development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuous briefing and seminars on professional development for Directors are arranged where necessary. Up to the date of this report, all Directors have attended in-house seminars on regulatory and corporate governance matters arranged by the Company and the Company has received from each of the Directors the confirmation on continuous professional training, as recorded in the table below:

	Seminars on regulations and updates	Reading guides and papers relating to regulations and directors' duties
Executive Directors		
Mr. Lam Yat Keung	✓	✓
Mr. Lim Chuan Yang	✓	✓
Mr. Huang Hanshui	✓	✓
Mr. Lam Hung Kit	✓	✓
Independent Non-Executive Directors		
Mr. Chau Pong Chi	✓	✓
Ms. Ching Betty Siu Kuen	✓	✓
Mr. Ho Chi Fai	✓	✓
Ms. Liu Yanfang	✓	✓
Professor Ma Hongwei	✓	✓

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors starting from February 2012.

CHAIRMAN/PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Chairman/President is responsible for the leadership and effective running of the Board and ensuring that all significant and key issues are discussed and where required, timely and constructively resolved by the Board.

The Chief Executive Officer is delegated with the authority and responsibility to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

As announced by the Company on 3 January 2012, with effect from 1 January 2012, Academician Liu Renhuai resigned as the Chairman and a non-executive Director of the Company. Mr. Li Weimin was re-designated from Chief Executive Officer to Chairman of the Company and continued to serve as an executive Director and the authorised representative of the Company. On the same date, Mr. Lim Chuan Yang was appointed as Chief Executive Officer of the Company.

As announced by the Company on 25 April 2012 and 14 June 2012, Mr. Li Weimin was 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. As announced by the Company on 8 November 2012, pursuant to the Bye-laws, the offices of Mr. Li Weimin as an executive Director and the Chairman of the Company were vacated with effect from 8 November 2012. During the Reporting Period, Mr. Li Weimin was also removed as a director and/or the legal representative of the relevant companies within the Retained Group. As announced by the Company on 22 November 2012, Mr. Lam Yat Keung was appointed as the President of the Company with effect from 1 December 2012.

The roles of the Chairman/President and the Chief Executive Officer were segregated throughout the Reporting Period.

APPOINTMENT, RE-ELECTION AND REMOVAL

Each of the executive Directors is engaged on a service contract. Each of the independent non-executive Directors (except Mr. Ho Chi Fai) is engaged with an appointment letter from the Company for a fixed term of three years, which will continue thereafter until terminated by either party by giving not less than one month notice in writing to the other party, and his/her term of office is subject to retirement by rotation and re-election in accordance with the Bye-laws and the Listing Rules.

According to the Bye-laws, one-third of the Directors shall retire from office by rotation at each annual general meeting. Any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 12 March 2012. On 1 December 2012, Ms. Liu Yanfang, an independent non-executive Director, resigned as the Chairman but remained as a member of the Nomination Committee. The Nomination Committee currently comprises five members namely, Mr. Chau Pong Chi (Chairman of Nomination Committee), Ms. Ching Betty Siu Kuen, Ms. Liu Yanfang and Professor Ma Hongwei, the independent non-executive Directors and Mr. Lim Chuan Yang, the executive Director.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

During the Reporting Period, two Nomination Committee meetings were held to review the structure, size and composition of the Board, the retirement and re-appointment arrangement of the Directors in the Company's 2012 AGM and make recommendations to the Board for consideration of appointment of new Directors. The terms of reference of the Nomination Committee are consistent with the terms set out in the relevant section of the CG Code.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors. The Remuneration Committee currently comprises all independent non-executive Directors, namely, Professor Ma Hongwei (Chairman of Remuneration Committee), Mr. Chau Pong Chi, Ms. Ching Betty Siu Kuen, Mr. Ho Chi Fai and Ms. Liu Yanfang.

The Company has adopted the model to make recommendations to the Board to determine the remuneration packages of Directors and senior management.

During the Reporting Period, three Remuneration Committee meetings were held to review the remuneration packages of the Directors. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the CG Code.

AUDIT COMMITTEE

The Audit Committee currently comprises all independent non-executive Directors, namely, Mr. Ho Chi Fai (Chairman of Audit Committee), Mr. Chau Pong Chi, Ms. Ching Betty Siu Kuen, Ms. Liu Yanfang and Professor Ma Hongwei.

The primary duties of the Audit Committee including recommendation to the Board for appointment or removal of the Company's external auditor, to review and monitor its independence and objectivity and to develop and implement policy on the engagement of non-audit services by external auditor. Apart from monitoring the integrity of financial statements, the Audit Committee also oversees the Company's financial reporting system and internal control procedures.

During the Reporting Period, two Audit Committee meetings were held to review the interim and final results of the Group, the financial reporting matters as well as the internal control systems of the Group. The terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the CG Code.

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 33 to 36.

For the Reporting Period, the remuneration paid/payable to the external auditor of the Company, SHINEWING (HK) CPA Limited, is set out below:

	HK$'000
Audit services	990
Non-audit services:	
– Taxation services	42
– 2012 interim review	280
– Major disposal transaction in relation to the Disposal	180
– Others	20
	522
	1,512

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of the Directors, all the Directors (except Mr. Li Weimin, the former executive Director and Chairman of the Company) confirmed that they had complied with the required standards as set out in the Model Code for the Reporting Period.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(e) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the Reporting Period, the Board approved the terms of reference of the Board, the Nomination Committee, the Special Committee and the revised terms of reference of the Audit Committee and the Remuneration Committee. Subsequent to the Reporting Period, the Company established the Investment Committee and the Board approved the terms of reference of the Investment Committee on 4 February 2013. The terms of reference of the corporate governance functions of the Board are consistent with the terms set out in the relevant section of the CG Code.

ACCOUNTABILITY AND INTERNAL CONTROL

The management has regularly provided explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility for preparing the financial statements and presenting a balanced, clear and understandable assessment in the Company's annual and interim reports, other financial disclosures required under the Listing Rules and reports to regulators.

The Directors conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The review has also considered the adequacy of resources, qualifications and experience of the Company's staff in accounting and financial reporting function together with their training programmes and budget.

As set out in the Company's announcements dated 30 November 2012, 12 December 2012 and 27 December 2012, in light of the Investigation and the Discrepancies, despite the Winding-up, the Board and the Special Committee considered it prudent and necessary to engage and has engaged an independent auditor to review the internal control system of the Retained Group. Subsequent to the Reporting Period, the review report was made available, and it concluded that the results of the internal control review did not indicate that the Retained Group's financial reporting system and internal control procedures were not adequate to meet its obligations under the Listing Rules. Through the review of payment records, there is no indication that there are any irregular or abnormal transactions or payments or misappropriation funds of the Retained Group, in particular, unapproved or unauthorised payments which do not comply with the procedures of the Retained Group's internal control manuals.

Nevertheless, the independent auditor made certain recommendations to strengthen the internal control system of the Retained Group, following which the Board has set up the Investment Committee and adopted an investment policy and procedures and engaged a compliance adviser for a term of one year commencing from the resumption of trading of shares of the Company. In addition, the Company will engage an independent professional to perform internal control review on a regular basis as recommended by the independent auditor.

COMPANY SECRETARY

On 1 July 2012, Mr. Chan Chun Fat ("Mr. Chan") was appointed as Company Secretary of the Company in place of Ms. Lee Wai Yee. Mr. Chan is a practising solicitor in Hong Kong and currently a consultant of Fairbairn Catley Low & Kong, Solicitors. He maintains contacts with Mr. Huang Hanshui, an executive Director of the Board, in relation to the corporate secretarial matters of the Company.

Mr. Chan has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Company aims to provide its shareholders and investors with high standard of disclosure and financial transparency. The Board is committed to provide clear and detailed information of the Group to shareholders in a timely manner and on a regular basis through the publication of interim and annual reports and/or dispatching circular, notices and other announcements.

Shareholders are welcome to attend shareholder's meeting where they are fully briefed on the Company's activities and questions can be raised to the Board and the management. The Board proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Poll results will be posted on the websites of the Company and the Stock Exchange after shareholders' meetings.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of the written requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. Pursuant to Bye-law 59, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office in Hong Kong at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong.

信永中和 ShineWing

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

TO THE MEMBERS OF
SINO-TECH INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 156, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained in the basis for disclaimer of opinion on the financial performance, cash flows and relevant disclosures paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Because of the matter described in the basis for disclaimer of opinion on the financial performance, cash flows and relevant disclosures paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial performance and cash flows of the Group and the relevant disclosures to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial position of the Group.

BASIS FOR DISCLAIMER OF OPINION ON THE FINANCIAL PERFORMANCE, CASH FLOWS AND RELEVANT DISCLOSURES

Scope limitation on the corresponding figures

As set out in our report dated 30 March 2012 on the Group's consolidated financial statements for the year ended 31 December 2011, we were not provided with sufficient audit evidence to enable us to assess whether certain trade receivables could be recovered in full or to determine the amount of impairment, if any. We qualified our opinion on the Group's consolidated financial statements for the year ended 31 December 2011 in respect of this scope limitation accordingly.

Any adjustments that might have been found necessary in respect of the above would have had a consequential impact on the Group's opening balances of the consolidated financial statements as at 1 January 2012 and the Group's results for the year ended 31 December 2011 and the related disclosures made in respect of the corresponding figures for the year ended 31 December 2011 in the consolidated financial statements for the year ended 31 December 2012.

Scope limitation on the loss for the year from discontinued operations, cash flows and relevant disclosures

During the year ended 31 December 2012, the Group recorded a loss for the year from discontinued logistics services operation of approximately HK$231,576,000 as set out in note 13 to the consolidated financial statements. As further described in note 1 to the consolidated financial statements, the loss for the year from discontinued logistics services operation related to the voluntary winding-up of CITIC Logistics (International) Company Limited (the "CLI"), a company in which the Group held 100% equity interest, under Section 241 of the Hong Kong Companies Ordinance. Upon the commencement of the winding-up on 27 December 2012, the Company lost its control over CLI, and accordingly CLI ceased to be a subsidiary of the Company and the financial results and position of CLI and its subsidiaries were deconsolidated from those of the Group since that date.

However, the directors of the Company have represented to us that neither they nor the liquidators of CLI were able to obtain the complete set of accounting books and records of the CITIC Logistics Company Limited(中信物流有限公司)("CLBJ") and its subsidiary and associate (collectively referred to as the "CLBJ Group") for the period from 1 January 2012 to 27 December 2012 (the date of deconsolidation) due to the un-cooperation of the financial personnel of CLBJ and its subsidiary amid the adverse situations faced by the CLBJ Group and the winding-up of CLI as set out in note 1 to the consolidated financial statements. Accordingly, the Group recorded the loss for the year from discontinued operation and cash flows relating to the CLBJ Group based on their unaudited financial information for the period from 1 January 2012 to 30 June 2012, which were the latest management accounts available to the directors of the Company. Due to lack of the complete set of accounting books and records of the CLBJ Group, we are unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to the completeness of all transactions undertaken by the CLBJ Group and accordingly, whether the loss for the year from discontinued operation in relation to the CLBJ Group of approximately HK$212,856,000 included in the consolidated income statement, consolidated statement of cash flows and the relevant disclosures to the consolidated financial statements are free from material misstatements. Accordingly, we have not been able to provide a basis for an audit opinion on the financial performance and cash flows of the Group and the relevant disclosures to the consolidated financial statements.

Any adjustment that might have been found to be necessary in respect of the above would have a significant effect on the Group's loss and cash flows for the year ended 31 December 2012 and related disclosure notes to the consolidated financial statements.

Independent Auditor's Report

DISCLAIMER OF OPINION ON THE FINANCIAL PERFORMANCE, CASH FLOWS AND RELEVANT DISCLOSURES

Because of the significance of the above matter described in the basis for disclaimer of opinion paragraph on the financial performance, cash flows and relevant disclosures, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinion on the financial performance and cash flows of the Group and the relevant disclosures to the consolidated financial statements. Accordingly, we do not express an audit opinion on the financial performance and cash flows of the Group and the relevant disclosures to the consolidated financial statements for the year ended 31 December 2012.

UNQUALIFIED OPINION ON THE FINANCIAL POSITION

In our opinion, the consolidated statement of financial position gives a true and fair view of the state of the Group's affairs as at 31 December 2012 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
28 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operation			
Turnover	7	572,451	742,279
Cost of sales		(567,666)	(784,478)
Gross profit (loss)		4,785	(42,199)
Other income	8	1,000	2,517
Distribution costs		(12,877)	(8,523)
Administrative expenses		(45,790)	(49,015)
Provision for financial guarantees	37	(8,300)	–
Share option expenses		–	(33,081)
Gain on redemption of convertible notes		–	2,931
Other expenses		(914)	(24,669)
Finance costs	9	(18,614)	(24,118)
Loss before taxation		(80,710)	(176,157)
Taxation	10	8	10,621
Loss for the year from continuing operation	11	(80,702)	(165,536)
Discontinued operations			
Loss for the year from discontinued operations	13	(270,283)	(768,705)
Loss for the year		(350,985)	(934,241)
Loss for the year attributable to owners of the Company:			
– from continuing operation		(80,702)	(165,536)
– from discontinued operations		(258,710)	(768,623)
Loss for the year attributable to owners of the Company		(339,412)	(934,159)
Loss attributable to non-controlling interests:			
– from continuing operation		–	–
– from discontinued operations		(11,573)	(82)
Loss for the year attributable to non-controlling interests		(11,573)	(82)
		(350,985)	(934,241)
Loss per share	15		
From continuing and discontinued operations			
Basic and diluted (HK cents)		(2.84)	(8.84)
From continuing operation			
Basic and diluted (HK cents)		(0.68)	(1.57)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (Restated)
Loss for the year	**(350,985)**	(934,241)
Other comprehensive (expense) income		
Exchange differences arising on translation of foreign operations		
Exchange gain arising during the year	**1,979**	1,532
Reclassification adjustments for the cumulative gain included in profit or loss upon deconsolidation of foreign operations	**(3,437)**	–
	(1,458)	1,532
Share of other comprehensive income of an associate	**74**	83
Other comprehensive (expense) income for the year	**(1,384)**	1,615
Total comprehensive expenses for the year	**(352,369)**	(932,626)
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(340,217)**	(933,123)
Non-controlling interests	**(12,152)**	497
	(352,369)	(932,626)

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	18	55,660	231,645
Investment property	19	–	315,000
Goodwill	20	–	38,826
Other intangible assets	21	–	140,505
Interest in an associate	22	–	7,343
Finance lease receivables	23	–	102
		55,660	733,421
Current assets			
Deposits paid for potential investments	24	–	26,000
Inventories	25	100,661	98,259
Finance lease receivables	23	–	154
Trade and bills receivables	26	180,875	237,347
Amounts due from former subsidiaries	51a	–	–
Prepayments, deposits and other receivables	27	2,662	37,530
Dividend receivables	28	–	1,835
Tax recoverable		960	960
Financial assets at fair value through profit or loss	29	–	7,395
Deposits in other financial institutions	30	446	446
Bank balances and cash	31	41,859	43,533
		327,463	453,459
Asset classified as held for sale	32	279,000	–
		606,463	453,459
Current liabilities			
Trade and bills payables	33	99,974	72,456
Other payables and accruals	34	42,655	82,474
Amounts due to former subsidiaries	51a	7,405	–
Amount due to a non-controlling equity holder of a subsidiary	35	–	28,772
Bank borrowings	36	–	153,079
Financial guarantee liabilities	37	8,300	–
Obligations under finance leases	38	5	248
		158,339	337,029
Liabilities associated with asset classified as held for sale	32	143,637	–
		301,976	337,029
Net current assets		304,487	116,430
Total assets less current liabilities		360,147	849,851

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Non-current liabilities			
Obligations under finance leases	38	9	14
Amount due to a shareholder	39	–	108,620
Convertible notes	40	263,438	244,831
Employee benefits	41	86	123
Deferred tax liabilities	42	–	30,335
		263,533	383,923
Net assets		96,614	465,928
Capital and reserves			
Share capital	43	119,667	117,545
Reserves		(23,053)	297,430
		96,614	414,975
Non-controlling interests		–	50,953
Total equity		96,614	465,928

The consolidated financial statements on pages 37 to 156 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:

Director	*Director*
Lam Yat Keung	**Lim Chuan Yang**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus (note)	Share-based compensation reserve	Foreign exchange reserve	Convertible notes reserve (note 40)	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011 (as originally stated)	86,828	1,834,074	5,800	31,310	(257)	203,074	(1,123,848)	1,036,981	–	1,036,981
Effect of changes in accounting policies (note 2)	–	–	–	–	–	–	1,000	1,000	–	1,000
At 1 January 2011 (as 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 year (as restated)	–	–	–	–	–	–	(934,159)	(934,159)	(82)	(934,241)
Other comprehensive income for the year										
Exchange differences arising on translation of foreign operations										
Exchange gain arising during the year	–	–	–	–	953	–	–	953	579	1,532
Share of other comprehensive income of an associate	–	–	–	–	83	–	–	83	–	83
Total comprehensive income (expenses) for the year (as restated)	–	–	–	–	1,036	–	(934,159)	(933,123)	497	(932,626)
Recognition of equity-settled share option expenses (note 44)	–	–	–	33,081	–	–	–	33,081	–	33,081
Share options lapsed (note 44)	–	–	–	(2,675)	–	–	2,675	–	–	–
Issue of shares upon conversion of convertible notes (note 43(b))	27,000	322,116	–	–	–	(99,330)	–	249,786	–	249,786
Redemption of convertible notes (note 40)	–	–	–	–	–	(11,037)	–	(11,037)	–	(11,037)
Acquisition of subsidiaries (note 47)	3,717	34,570	–	–	–	–	–	38,287	50,456	88,743
At 31 December 2011 and 1 January 2012 (as 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 year	–	–	–	–	–	–	(339,412)	(339,412)	(11,573)	(350,985)
Other comprehensive income for the year										
Exchange differences arising on translation of foreign operations										
Exchange gain arising during the year	–	–	–	–	1,515	–	–	1,515	464	1,979
Reclassification adjustments for the cumulative gain included in profit or loss upon deconsolidation of foreign operations	–	–	–	–	(2,394)	–	–	(2,394)	(1,043)	(3,437)
Share of other comprehensive income of an associate	–	–	–	–	74	–	–	74	–	74
Total comprehensive expenses for the year	–	–	–	–	(805)	–	(339,412)	(340,217)	(12,152)	(352,369)
Share options lapsed (note 44)	–	–	–	(17,994)	–	–	17,994	–	–	–
Acquisition of subsidiaries (note 47)	2,122	19,734	–	–	–	–	–	21,856	–	21,856
Derecognised upon deconsolidation of subsidiaries (note 45)	–	–	–	–	–	–	–	–	(38,801)	(38,801)
At 31 December 2012	119,667	2,210,494	5,800	43,722	(26)	92,707	(2,375,750)	96,614	–	96,614

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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Loss before taxation from continuing operation	**(80,710)**	(176,157)
Loss before taxation from discontinued operations	**(305,737)**	(769,016)
	(386,447)	(945,173)
Adjustments for:		
Bank interest income	**(231)**	(112)
Interest income from a related company	**(58)**	(243)
Interest income from advances	**(293)**	(508)
Interest income on finance leases	**(6)**	(3)
Investment income	**(135)**	–
Finance costs	**20,496**	25,641
Gain on redemption of convertible notes	**–**	(2,931)
Depreciation of property, plant and equipment	**46,049**	45,794
Amortisation of other intangible assets	**–**	51,519
Share option expenses	**–**	33,081
Loss (gain) arising on change in fair value of investment property	**36,000**	(15,000)
Impairment loss on property, plant and equipment	**15,098**	21,464
Impairment loss on goodwill	**39,191**	657,895
Impairment loss on other intangible assets	**141,816**	66,481
Share of results of an associate	**(705)**	(183)
Impairment loss on trade and bills receivables	**5,689**	–
Impairment loss on other receivables	**242**	–
Reversal of impairment loss on trade receivables	**–**	(807)
Net gain on disposals of property, plant and equipment	**(670)**	(805)
Write-offs of property, plant and equipment	**730**	3,290
Gain on deconsolidation of subsidiaries	**(136,065)**	–
Impairment loss on amounts due from former subsidiaries	**178,906**	–
Provision for early termination of a tenancy agreement	**6,474**	–
Provision for financial guarantees	**8,300**	–
Allowance of inventories	**–**	15,903
Operating cash flows before working capital changes	**(25,619)**	(44,697)
(Increase) decrease in inventories	**(2,402)**	82,890
(Increase) decrease in trade and bills receivables	**(32,671)**	67,249
Decrease (increase) in prepayments, deposits and other receivables	**46**	(6,594)
Increase (decrease) in trade and bills payables	**38,367**	(110,461)
Decrease in other payables and accruals	**(10,834)**	(12,932)
Decrease in non-current employee benefits	**(37)**	(27)
Cash used in operations	**(33,150)**	(24,572)
Income taxes refunded	**–**	618
NET CASH USED IN OPERATING ACTIVITIES	**(33,150)**	(23,954)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Decrease in advances		–	62,847
Purchase of property, plant and equipment		(863)	(37,291)
Deposits refunded for potential investments		–	38,500
Proceeds from disposals of property, plant and equipment		11,365	12,420
Dividend received from an associate		993	–
Deposit received from disposal of an investment property		28,500	–
Repayment of finance lease receivables		74	106
Bank interest received		231	1,357
Interest income on finance leases received		6	–
Investment income received		135	–
Placement of restricted bank balances		(498)	–
Purchase of financial assets at fair value through profit or loss		(25,173)	(7,395)
Proceeds from disposal of financial assets at fair value through profit or loss		30,061	2,437
Net cash inflow from acquisition of subsidiaries	47	–	13,699
Net cash outflow from deconsolidation of subsidiaries	45	(10,042)	–
NET CASH FROM INVESTING ACTIVITIES		34,789	86,680
FINANCING ACTIVITIES			
New other borrowing raised		8,000	–
Repayment to a director		–	(471)
Redemption of convertible notes		–	(36,000)
Repayment of bank borrowings		(9,515)	(9,514)
Interest paid on bank borrowings		(1,597)	(1,523)
Repayment of obligations under finance leases		(248)	(314)
Interest paid on obligations under finance leases		(7)	(23)
NET CASH USED IN FINANCING ACTIVITIES		(3,367)	(47,845)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,728)	14,881
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		43,533	30,767
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		54	(2,115)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		41,859	43,533

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Sino-Tech International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and principal place of business is at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company and the principal activities of its subsidiaries (together with the Company hereinafter referred to as the "Group") are set out in note 54.

Discontinued property investment operation

During the year, the directors of the Company resolved to dispose of its investment property (the "Disposal") so as to alleviate the financial position of the Group. On 6 November 2012, the Disposal was approved by the shareholders of the Company in a special general meeting. As the Disposal constituted a separate major line of business disposed of, the property investment operation is presented as part of discontinued operations in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5 Non-Current Assets Held for Sale and Discontinued Operations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Details of the discontinued property investment operation are set out in notes 13b and 32 respectively.

Subsidiaries deconsolidated and discontinued logistics services operation

On 7 December 2012, the directors of the Company considered the operations, prospects and issues surrounding CITIC Logistics (International) Company Limited ("CLI") and its subsidiaries and associate (collectively referred to as the "CLI Group") and resolved that CLI should be wound up. Accordingly, on 10 December 2012, the board of directors of CLI resolved to recommend that Top Victory Industries Limited ("Top Victory"), the sole shareholder of CLI, should voluntarily wind up CLI (the "Winding-up") and nominate liquidators in connection with the Winding-up.

The resolution for the Winding-up under Section 241 of the Hong Kong Companies Ordinance was passed by Top Victory as the sole shareholder of CLI on 27 December 2012, and the winding-up process of CLI commenced. On the same day, the creditors of CLI approved the appointment of liquidators in connection with the Winding-up.

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Subsidiaries deconsolidated and discontinued logistics services operation *(Continued)*

Upon commencement of the Winding-up, the Company lost its control over CLI, and accordingly CLI ceased to be a subsidiary of the Company and the financial results and position of the CLI Group were deconsolidated from those of the Group at the date of deconsolidation, that is, 27 December 2012. As at the date of this report, the Winding-up is still in process. The Group, excluding the CLI Group upon the commencement of the Winding-up, is referred to as the Retained Group.

As the financial personnel of CLI's subsidiaries located in the People's Republic of China (the "PRC") were un-cooperative amid the adverse situations faced by the CLBJ Group (as defined below) and the Winding-up as set out in the business and financial review section of the Annual Report, neither the directors of the Company nor the liquidators of CLI were able to obtain the complete set of accounting books and records of the CLBJ Group for the period from 1 January 2012 to 27 December 2012 (the date of deconsolidation). Accordingly, the Group recorded the loss for the year from discontinued operation and cash flows relating to the CLBJ Group based on their unaudited financial information for the period from 1 January 2012 to 30 June 2012, which were the latest management accounts available to the directors of the Company. The companies under the CLBJ Group are set out below:

Name	Percentage of equity attributable to the Company before deconsolidation %
Subsidiaries	
中信物流有限公司 (CITIC Logistics Company Limited) ("CLBJ")	90
中信物流飛馳有限公司 ("Fritz")	46.8*
Associate	
寧波菱信物流有限公司 ("Ningbo Lingxin")	40

* The Company indirectly holds 90% equity interest in CLBJ which directly holds 52% equity interest in Fritz.

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Subsidiaries deconsolidated and discontinued logistics services operation *(Continued)*

Due to lack of the complete set of accounting books and records of the CLBJ Group for the period from 1 January 2012 to 27 December 2012 (the date of deconsolidation), the directors of the Company were unable to ascertain whether the loss for the year from discontinued operation, cash flows and the related disclosure notes in relation to the CLBJ Group included in the consolidated financial statements as stated below, have been accurately recorded and properly accounted for in the consolidated financial statements.

The loss for the year from discontinued operation in relation to the CLBJ Group is analysed as follows:

	Period ended 27 December 2012 HK$'000
Loss of the CLBJ Group for the period (note a)	(152,678)
Loss on deconsolidation of subsidiaries attributable to the CLBJ Group (note d)	(60,178)
	(212,856)

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Subsidiaries deconsolidated and discontinued logistics services operation *(Continued)*

(a) The results of the CLBJ Group included in the loss for the period from 1 January 2012 to 27 December 2012 from discontinued logistics services operation in note 13a are set out as follow:

	Notes	Period ended 27 December 2012 HK$'000
Turnover		56,344
Cost of sales		(54,086)
Other income		301
Distribution costs		(4,841)
Administrative expenses		(5,548)
Impairment loss on goodwill	20	(39,191)
Impairment loss on other intangible assets	21	(141,816)
Share of results of an associate	22	705
Loss before taxation		(188,132)
Taxation		35,454
Loss for the period		(152,678)

(b) Loss for the period of the CLBJ Group includes the following:

	Period ended 27 December 2012 HK$'000
Cost of services provided	54,086
Staff costs	14,395
Depreciation of property, plant and equipment	7,462
Net loss on disposals of property, plant and equipment	59
Bank interest income	(225)
Interest income on finance leases	(6)

(c) During the period, the CLBJ Group paid approximately HK$3,672,000 in respect of operating activities and paid approximately HK$717,000 in respect of investing activities.

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Subsidiaries deconsolidated and discontinued logistics services operation *(Continued)*

(d) The net assets of the CLBJ Group on the date of deconsolidation are as follows:

	As at 27 December 2012 HK$'000
Analysis of assets and liabilities over which control was lost:	
Deferred tax assets	4,844
Property, plant and equipment	90,234
Goodwill	–
Other intangible assets	–
Interest in an associate	7,892
Finance lease receivables	182
Trade receivables	30,312
Prepayments, deposits and other receivables	7,254
Dividend receivables	1,092
Financial assets at fair value through profit or loss	2,488
Restricted bank balance	498
Bank balances and cash	8,608
Trade payables	(8,844)
Other payables and accruals	(13,104)
Net amounts due to holding companies	(23,976)
Amount due to a non-controlling equity holder	(29,040)
Net assets derecognised	78,440
Loss on deconsolidation of subsidiaries attributable to the CLBJ Group:	
Net assets derecognised	78,440
Intra-group balances with other subsidiaries deconsolidated	23,976
Non-controlling interests	(38,801)
Cumulative exchange differences in respect of the net assets of the CLBJ Group reclassified from equity to profit or loss on deconsolidation of the CLBJ Group	(3,437)
Loss on deconsolidation of subsidiaries attributable to the CLBJ Group	60,178
Net cash outflow arising upon deconsolidation:	
Bank balances and cash derecognised upon deconsolidation of the CLBJ Group	8,608

1. GENERAL AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Subsidiaries deconsolidated and discontinued logistics services operation *(Continued)*

Details of aggregate financial effect of the deconsolidation of subsidiaries are stated in notes 13a and 45 respectively. As the CLI Group carried out all of the Group's logistics services operation, this business segment is also presented as discontinued operations in accordance with HKFRS 5.

Certain comparatives on the consolidated income statement, consolidated statement of comprehensive income and related notes have been re-presented so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

Other than the discontinued operations as described above, there were no significant changes in the Group's operations during the year ended 31 December 2012.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to Hong Kong Accounting Standard ("HKAS") 1	As part of Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. 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 entirely 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 "sale" presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on disposal of its investment property. Previously, the Group recognised deferred taxes on changes in fair value of investment property on the basis that the entire carrying amount of the property was recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by approximately HK$1,000,000 as at 1 January 2011, with the corresponding credit being recognised in accumulated losses. Similarly, the deferred tax liabilities have been decreased by approximately HK$3,575,000 as at 31 December 2011.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment property. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31 December 2012 and 31 December 2011 being increased/decreased by approximately HK$3,575,000 and HK$2,575,000 respectively and hence resulted in the loss for the years ended 31 December 2012 and 31 December 2011 being increased/decreased by approximately HK$3,575,000 and HK$2,575,000 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets for the first time, which has resulted in an immaterial effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, no third statement of financial position was presented.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
Increase (decrease) in income tax expense, loss for the year and total comprehensive expense for the year from discontinued operations	**3,575**	(2,575)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Summary of the effects of the above changes in accounting policies *(Continued)*

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2011 and 31 December 2011 are as follows:

	As at 1 January 2011 (Originally stated) HK$'000	Adjustments HK$'000	As at 1 January 2011 (Restated) HK$'000	As at 31 December 2011 (Originally stated) HK$'000	Adjustments HK$'000	As at 31 December 2011 (Restated) HK$'000
Deferred tax liabilities	11,678	(1,000)	10,678	33,910	(3,575)	30,335
Total effects on net assets	1,036,981	1,000	1,037,981	462,353	3,575	465,928
Accumulated losses	1,123,848	(1,000)	1,122,848	2,057,907	(3,575)	2,054,332
Total effects on equity	1,036,981	1,000	1,037,981	462,353	3,575	465,928

The effects of the above changes in accounting policies on the Group's basic and diluted loss per share for the current and prior years are as follows:

	Year ended 31 December 2012 HK cents	Year ended 31 December 2011 HK cents
Basic and diluted loss per share from continuing and discontinued operations before adjustment	2.81	8.87
Adjustment arising from changes in the Group's accounting policies in relation to the application of amendments to HKAS 12 in respect of deferred taxes on investment property	0.03	(0.03)
Basic and diluted loss per share from continuing and discontinued operations after adjustment	2.84	8.84

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Issued but not yet effective HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments HKAS 1[2]
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group did not recognise any income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction in prior years.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirement) for financial instruments under an enforceable master netting agreement or similar arrangement.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities *(Continued)*

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 – Financial Instruments *(Continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

Key requirements of these five standards are described as follows:

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only on basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five standards for the first time.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income *(Continued)*

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment property including investment property classified as held for sale and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognises as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKSA 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except for deferred tax assets and liabilities which are recognised and measured in accordance with HKAS 12 Income Taxes.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or when applicable, on the basis specified in another standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations). The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interest in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title has been passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the provision of logistics services is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including leasehold buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment property

Investment property is a property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value using the fair value model. Gain or loss arising from change in the fair value of investment property is included in profit or loss for the period in which it arises.

An investment property is derecognised upon disposal or when the 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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from leases under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the foreign exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of foreign exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

(a) Defined contribution retirement benefit plans

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

(b) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(c) Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Long service payment

The Group's net obligations in respect of long service payment on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that the employees have earned in return for their services in the current and prior periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries and an associate except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") or loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instrument, other than those financial assets classified as at FVTPL, of which interest income is excluded from net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are assets held for trading.

A financial asset is classified as held for trading if:

- it is acquired principally for the purpose of selling in the near term; or
- on initial recognition, it is a part of a portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits paid for potential investments, finance lease receivables, trade and bills receivables, amounts due from former subsidiaries, deposits and other receivables, dividend receivables, deposits in other financial institutions, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance amount are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, amounts due to former subsidiaries, amount due to a non-controlling equity holder of a subsidiary and a shareholder, bank borrowings, obligations under finance leases and convertible notes are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the conversion option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss, such that the cumulate expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated losses.

Share options granted to suppliers and other eligible persons

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities from investment property that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment property is not held under a business model whose objective is to consume substantively all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment property, the directors of the Company have determined that the presumption that the carrying amounts of investment property measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment property.

Contingent liabilities in respect of legal claims

As announced by the Company on 30 November 2012, neither CLBJ nor the Group has sufficient funds to invest in relevant logistics services projects. As advised by the PRC lawyer of the Group, there is a risk that CLBJ may breach the terms of relevant contracts for the projects if it does not proceed with the investment. Meanwhile, CLBJ has been engaged in the CITIC Auto Lawsuit (as defined in note 53(b)). Based on the legal opinion obtained by the Company and due to the Winding-up, the directors of the Company consider that these potential or existing legal claims would not be extended to the Retained Group.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for financial guarantees

As set out in note 37, the Company has provided a corporate guarantee to a former subsidiary, CLI. The directors of the Company consider it is probable that a claim will be made against the Company under the guarantee upon the Winding-up. The directors of the Company determine the provision based on their best estimates in respect of the probability of the repayment from CLI. Actual results may differ from these estimates. Provision for financial guarantees of approximately HK$8,300,000 has been made in the consolidated financial statements for the year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment loss on goodwill of approximately HK$39,191,000 (2011: HK$657,895,000) has been recognised for the year ended 31 December 2012. As at 27 December 2012, the carrying amount of goodwill of nil (net of accumulated impairment loss of approximately HK$1,576,057,000) has been derecognised upon deconsolidation of subsidiaries. As at 31 December 2011, the carrying amount of goodwill amounted to HK$38,826,000 (net of accumulated impairment loss of approximately HK$1,536,866,000). Details of the impairment test are disclosed in note 20.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment on a straight-line basis between the rates of 2% to 30% per annum, commencing from the date the property, plant and equipment are available for use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Depreciation of approximately HK$46,049,000 (2011: HK$45,794,000) has been recognised for the year.

Impairment of trade and other receivables

The policy for impairment on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of the trade and other receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional impairment may be required. Impairment loss on trade and other receivables of approximately HK$5,931,000 (2011: nil) has been recognised for the year. During the year ended 31 December 2011, reversal of impairment loss on trade receivables of approximately HK$807,000 (2012: nil) has been recognised. As at 31 December 2012, the carrying amount of trade and other receivables was approximately HK$183,537,000, net of accumulated impairment loss of approximately HK$20,140,000 (2011: carrying amount of approximately HK$274,877,000, net of accumulated impairment loss of approximately HK$21,523,000).

Allowance of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. During the year ended 31 December 2011, allowance of inventories of approximately HK$15,903,000 (2012: nil) has been recognised. As at 31 December 2012, the carrying amount of inventories was approximately HK$100,661,000 (net of accumulated impairment loss of nil) (2011: carrying amount of approximately HK$98,259,000, net of accumulated impairment loss of approximately HK$19,003,000).

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment on property, plant and equipment

During the year ended 31 December 2012, impairment loss of HK$15,098,000 (2011: HK$21,464,000) in respect of property, plant and equipment was recognised in the consolidated income statement. Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. As at 31 December 2012, the carrying amount of property, plant and equipment is approximately HK$55,660,000 (net of accumulated impairment loss of approximately HK$1,996,000) (2011: carrying amount of approximately HK$231,645,000, net of accumulated impairment loss of approximately HK$23,282,000).

Estimation of fair value of investment property and investment property classified as held for sale

Investment property is stated in the consolidated statement of financial position at fair value of HK$315,000,000 at 31 December 2011. Investment property classified as held for sale is stated in the consolidated statement of financial position at fair value of HK$279,000,000 at 31 December 2012. As described in note 19, the Group's investment property was revalued at the end of the reporting period on an open market value basis by an independent professional valuer. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. At 31 December 2012, the fair value of investment property classified as held for sale was arrived at by reference to the consideration of the disposal less cost to sell.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment on other intangible assets

Intangible assets are evaluated for possible impairment based on estimation of the value in use on a specific intangible asset basis. This process requires management's estimate of future cash flows generated from each intangible asset and a suitable discount rate in order to calculate the present value. For any instance where this evaluation process indicates impairment, the relevant intangible asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated income statement. Impairment loss on other intangible assets of approximately HK$141,816,000 (2011: HK$66,481,000) has been recognised for the year ended 31 December 2012. As at 27 December 2012, the carrying amount of other intangible assets is nil (net of accumulated impairment loss HK$419,855,000 has been derecognised upon deconsolidation of subsidiaries. As at 31 December 2011, the carrying amount of other intangible assets amounted to approximately HK$140,505,000 (net of accumulated impairment loss of approximately HK$278,039,000). Details of the impairment test are disclosed in note 21.

Impairment on amounts due from former subsidiaries

During the year ended 31 December 2012, impairment loss of approximately HK$178,906,000 (2011: nil) in respect of amounts due from former subsidiaries was recognised in the consolidated income statement. The directors of the Company assessed the recoverability of the amounts due from former subsidiaries based on their estimation in assessing the ultimate realisation of these receivables. Such estimation was based on certain assumptions, which are subject to uncertainty and may materially differ from the actual results. As at 31 December 2012, the carrying amount of amounts due from former subsidiaries is nil (2011: nil) (net of accumulated impairment loss of approximately HK$178,906,000 (2011: nil)).

Income taxes

As at 31 December 2012, deferred tax assets in relation to unused tax losses of approximately HK$16,303,000 (2011: HK$97,558,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses and other deductible temporary differences of approximately HK$102,266,000 (2011: HK$74,180,000) due to the unpredictability of future profit streams. The realisation of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank and other borrowings, obligations under finance leases, convertible notes, amounts due to former subsidiaries, a non-controlling equity holder of a subsidiary and a shareholder and equity attributable to owners of the Company, comprising share capital and reserves, and net of bank balances and cash. The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues as well as share options. The directors of the Company will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

The directors of the Company also endeavour to ensure the steady and reliable cash flows from the normal business operation.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	224,043	343,267
Financial assets at fair value through profit or loss	–	7,395
	224,043	350,662
Financial liabilities		
Other financial liabilities at amortised cost	382,008	686,812
Financial guarantee liabilities	8,300	–
	390,308	686,812

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, finance lease receivables, deposits paid for potential investments, trade and bills receivables, amounts due from former subsidiaries, deposits and other receivables, dividend receivables, deposits in other financial institutions, bank balances and cash, trade and bills payables, other payables and accruals, amounts due to former subsidiaries, a non-controlling equity holder of a subsidiary and a shareholder, bank borrowings, obligations under finance leases, convertible notes and financial guarantee liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, currency risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on trade debt is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks and other financial institutions with high credit ratings.

Other than the above, the Group has significant credit risk on amounts due from former subsidiaries which have been deconsolidated. The directors of the Company consider that the recoverability of amounts due from the former subsidiaries is remote and adequate impairment losses are made.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Credit risk (Continued)

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 66% (2011: 69%) of the total trade receivables as at 31 December 2012.

The Group has concentration of credit risk as 9% (2011: 22%) and 30% (2011: 40%) of the trade receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

The Group has concentration of credit risk as 27% (2011: 54%) and 76% (2011: 77%) of the other receivables was due from the Group's largest debtor and the five largest debtors respectively.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Currency risk

The functional currencies of certain subsidiaries are United States Dollar ("US$") or Renminbi ("RMB").

Several subsidiaries of the Company have sales and purchases denominated in currencies other than the respective functional currency, which expose the Group to foreign currency risk. Approximately 60% (2011: 72%) of the Group's sales and 90% (2011: 88%) of the Group's purchases are denominated in currencies other than the functional currency of the group entity making the sales and purchases. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Currency risk (Continued)

The carrying amounts of the Group's material foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**67,425**	47,904	**11,762**	127,752
US$	**76**	47,614	**–**	601
RMB	**97,865**	86,856	**87,300**	44,300
Japanese Yen ("JPY")	**34**	38	**–**	1,676

Sensitivity analysis

The Group is mainly exposed to the currency of HK$/US$/RMB/JPY.

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Currency risk (Continued)

***Sensitivity analysis** (Continued)*

A positive number below indicates a decrease in post-tax loss where the respective functional currencies of the reporting entity strengthen 5% (2011: 5%) against the relevant foreign currencies. For a 5% (2011: 5%) weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	HK$		US$		RMB		JPY	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit or loss	**(2,323)**	2,872	**(3)**	(1,962)	**(441)**	(1,777)	**(1)**	68

Interest rate risk

As at 31 December 2012, the Group is exposed to cash flow interest rate risk in relation to variable-rate deposits in other financial institutions (note 30) and bank balances (note 31) (2011: variable-rate bank borrowings (note 36), deposits in other financial institutions (note 30), interest-bearing advances (note 27) and bank balances (note 31)).

As at 31 December 2012, the Group was exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (note 38) (2011: fixed-rate finance lease receivables (note 23), obligations under finance leases (note 38) and interest-bearing trade receivables (note 26)). No sensitivity analysis is presented because the risk is considered insignificant.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Interest rate risk (Continued)

Sensitivity analysis

The Group's deposits in other financial institutions and bank balances are short-term in nature and the exposure of the interest rate is minimal and no sensitivity analysis to interest rate risk on these two items is presented. The sensitivity analyses below had been determined based on the exposure to interest rates for non-derivative bank borrowings and interest-bearing advances at the end of the reporting period. The analysis is prepared assuming the bank borrowings and interest-bearing advances outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2011 would increase/decrease by approximately HK$1,111,000. This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and interest-bearing advances.

The Group's operating cash flows are substantially independent of changes in market interest rates.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the cash, current working capital and the raising of funds. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Repayable on demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2012						
Non-derivative financial liabilities						
Trade and bills payables	99,974	–	–	–	99,974	99,974
Other payables and accruals	11,177	–	–	–	11,177	11,177
Amounts due to former subsidiaries	7,405	–	–	–	7,405	7,405
Financial guarantee liabilities (note i)	8,300	–	–	–	8,300	8,300
Obligations under finance leases	5	5	5	–	15	14
Convertible notes	–	302,400	–	–	302,400	263,438
	126,861	302,405	5	–	429,271	390,308
At 31 December 2011						
Non-derivative financial liabilities						
Trade and bills payables	72,456	–	–	–	72,456	72,456
Other payables and accruals	78,792	–	–	–	78,792	78,792
Amount due to a non-controlling equity holder of a subsidiary	28,772	–	–	–	28,772	28,772
Bank borrowings (note ii)	154,593	–	–	–	154,593	153,079
Obligations under finance leases	255	5	10	–	270	262
Amount due to a shareholder	–	–	108,620	–	108,620	108,620
Convertible notes	–	–	302,400	–	302,400	244,831
	334,868	5	411,030	–	745,903	686,812

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Liquidity risk (Continued)

Notes:

(i) The amounts included above for financial guarantee liabilities are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(ii) Bank borrowings with a repayment on demand clause are included in the "repayable on demand or within 1 year" time band in the above maturity analysis. As at 31 December 2011, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK$153,079,000 (2012: nil). Taking into account the Group's financial position, the directors of the Company did not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. As at 31 December 2011, the directors of the Company believed that mortgage loan and term loan would be repaid 19 years (2012: nil) and 6 years (2012: nil) respectively after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to approximately HK$166,334,000 (2012: nil).

(iii) The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objective and policies *(Continued)*

Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements not materially different from their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the consolidated statement of financial position

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial assets at fair value through profit or loss are measured at Level 2 fair value measurement.

7. TURNOVER AND SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. As mentioned in note 1, two operations were discontinued in the current year. Following the discontinued operations, the Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components. Accordingly, the Group's continuing operation is attributable to a single reportable and operating segment under HKFRS 8. No operating segments have been aggregated in arriving at the reportable segment of the Group.

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

(i) Continuing operation

– Electronic products segment engages in the manufacture and trading of electronic and electrical parts and components.

(ii) Discontinued operations

– Logistics services segment engages in providing shipping and transportation logistics services.

– Property investment segment engages in properties investments.

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

7. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results

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

	Continuing operation		Discontinued operations					
	Electronic products		Logistics services		Property investment		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
For the year ended 31 December								
Sales to external customers	572,451	742,279	80,275	42,188	–	–	652,726	784,467
Other income	1,686	1,988	138	218	–	–	1,824	2,206
Total segment revenue	574,137	744,267	80,413	42,406	–	–	654,550	786,673
Contribution to segment results	(30,967)	(60,498)	(23,699)	(8,232)	(38,693)	12,342	(93,359)	(56,388)
Impairment loss on goodwill	–	–	(39,191)	(657,895)	–	–	(39,191)	(657,895)
Impairment loss on other intangible assets	–	–	(141,816)	(66,481)	–	–	(141,816)	(66,481)
Amortisation of other intangible assets	–	–	–	(51,519)	–	–	–	(51,519)
Gain on deconsolidation of subsidiaries	–	–	136,065	–	–	–	136,065	–
Impairment loss on amounts due from former subsidiaries	–	–	(178,906)	–	–	–	(178,906)	–
Impairment loss on trade receivables	(515)	–	(5,174)	–	–	–	(5,689)	–
Impairment loss on other receivables	–	–	(228)	–	(14)	–	(242)	–
Impairment loss on property, plant and equipment	(178)	(21,464)	(14,920)	–	–	–	(15,098)	(21,464)
Allowance of inventories	–	(15,903)	–	–	–	–	–	(15,903)
Segment results	(31,660)	(97,865)	(267,869)	(784,127)	(38,707)	12,342	(338,236)	(869,650)
Unallocated corporate income							767	5,064
Share of results of an associate							705	183
Unallocated corporate expenses							(30,779)	(56,652)
Finance costs							(18,904)	(24,118)
Loss before taxation							(386,447)	(945,173)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the (loss) profit made by each segment without allocation of bank and other interest income, investment income, exchange gains/losses, corporate income and expenses, central administration cost, share option expenses, gain on redemption of convertible notes, share of results of an associate and finance costs (except finance costs on borrowings solely obtained to finance the acquisition of investment property). This is the measure reported to the directors of the Company for the purposes of resource allocation and performance assessment.

7. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Geographical information

The Group's continuing operation is mainly located in Hong Kong and the PRC. However, the external customers of the Group are located world-wide, such as Hong Kong, the PRC, Asia Pacific and Latin America etc.

Information about the Group's revenue from continuing operation from external customers is presented based on the location of customers and information about its non-current assets is presented based on the location of assets are detailed below:

	Revenue from external customers		Non-current assets*	
	Year ended 2012 HK$'000	Year ended 2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong	**178,056**	188,887	**2,118**	11,660
Elsewhere in the PRC	**275,942**	422,400	**52,996**	88,294
Asia Pacific	**93,319**	107,044	**546**	780
Latin America	**4,882**	4,992	**–**	–
Others	**20,252**	18,956	**–**	–
Total	**572,451**	742,279	**55,660**	100,734

* Non-current assets excluding those relating to logistics services and property investment operations.

(c) Information about major customers

During the years ended 31 December 2012 and 2011, none of the Group's individual customer contributed more than 10% to the total turnover of the Group.

8. OTHER INCOME

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operation		
Reversal of impairment loss on trade receivables	–	807
Interest income from advances (note 27)	197	508
Net gain on disposals of property, plant and equipment	729	939
Bank interest income	3	24
Others	71	239
	1,000	2,517

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Continuing operation		
Borrowing cost on obligations under finance leases	7	23
Imputed interest expenses on convertible notes (note 40)	18,607	24,095
	18,614	24,118

10. TAXATION

Tax credit (charge) for the year represents:

	2012 HK$'000	2011 HK$'000
Continuing operation		
Current tax – provision for Hong Kong Profits Tax		
– charge for the year	–	–
– under-provision in prior years	–	(49)
	–	(49)
Deferred tax (note 42)		
– current year	8	10,670
	8	10,621

No provision for Hong Kong Profits Tax has been provided as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both years.

Subsequent to the end of the reporting period, the Hong Kong Inland Revenue Department (the "IRD") enquired the Hong Kong Profits Tax of a subsidiary of the Company in respect of the years of assessment 2006/07 to 2011/12. As the assessment for the year of assessment 2006/07 would be statutorily time-barred by 31 March 2013, a protective assessment of approximately HK$1,555,000 was raised by the IRD on 7 March 2013. The subsidiary lodged an objection against the assessment. As at the date of this report, no replies have been received from the IRD.

Under the Law of 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% from 1 January 2008 onwards.

10. TAXATION *(Continued)*

Taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operation		
Loss before taxation	(80,710)	(176,157)
Tax calculated at the domestic income tax rate of 16.5% (2011: 16.5%)	(13,317)	(29,066)
Tax effect of different tax rates	(187)	(363)
Tax effect of expenses that are not deductible in determining taxable profit	5,753	11,684
Tax effect of income that is not taxable in determining taxable profit	(99)	(495)
Tax effect of tax losses not recognised	7,842	5,945
Tax effect of other deductible temporary differences not recognised	–	1,625
Under provision in prior years	–	49
Taxation	(8)	(10,621)

Details of deferred tax are set out in note 42.

11. LOSS FOR THE YEAR FROM CONTINUING OPERATION

Loss for the year from continuing operation has been arrived at after charging:

	2012 HK$'000	2011 HK$'000 (Restated)
Cost of inventories recognised as expenses	567,666	768,575
Staff costs (note 12)	25,339	50,546
Depreciation of property, plant and equipment		
– owned assets	34,012	38,659
– assets held under finance leases	178	273
Auditor's remuneration	880	753
Allowance of inventories (included in cost of sales)	–	15,903
Impairment loss on property, plant and equipment (included in other expenses)	178	21,464
Write-offs of property, plant and equipment (included in other expenses)	709	3,205
Net exchange loss	230	1,011
Impairment loss on trade and bills receivables	515	–

12. STAFF COSTS

	2012 HK$'000	2011 HK$'000
Continuing operation		
Staff costs (including directors' emoluments) comprise:		
Salaries, allowances and benefits	24,158	24,078
Retirement benefits scheme contributions	837	533
Share option expenses	–	25,730
Provision for other employee benefits and long service payments	344	205
	25,339	50,546

13. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

The (loss) profit for the year from the following discontinued operations is analysed as follows:

	2012 HK$'000	2011 HK$'000
Discontinued logistics services operation (note a)	(231,576)	(781,047)
Discontinued property investment operation (note b)	(38,707)	12,342
	(270,283)	(768,705)

(a) Discontinued logistics services operation

As mentioned in note 1, Top Victory, as the sole shareholder of CLI, resolved to voluntarily wind up CLI under Section 241 of the Hong Kong Companies Ordinance and the winding-up process of CLI commenced on 27 December 2012. Upon commencement of the Winding-up, the Company lost its control over CLI, and accordingly CLI ceased to be a subsidiary of the Company and the financial results and position of the CLI Group were deconsolidated from those of the Group at the date of deconsolidation, that is, 27 December 2012. As the CLI Group carried out all of the Group's logistics services operation, this business segment is presented as part of discontinued operations. Details of the Winding-up are set out in the announcements issued by the Company on 12 December 2012 and 27 December 2012 respectively.

The loss for the year from discontinued logistics services operation is analysed as follows:

	2012 HK$'000	2011 HK$'000
Loss of logistics services operation for the year	(188,735)	(781,047)
Gain on deconsolidation of subsidiaries (note 45)	136,065	–
Impairment loss on amounts due from former subsidiaries	(178,906)	–
	(231,576)	(781,047)

13. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS *(Continued)*

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

The results of the discontinued logistics services operation for the period from 1 January 2012 to 27 December 2012 included in the consolidated income statement are set out as follows:

	Notes	Period ended 27 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
Turnover		80,275	42,188
Cost of sales		(78,591)	(41,904)
Other income		642	3,510
Distribution costs		(4,840)	(1,438)
Administrative expenses		(26,142)	(7,917)
Impairment loss on goodwill	20	(39,191)	(657,895)
Impairment loss on other intangible assets	21	(141,816)	(66,481)
Amortisation of other intangible assets	21	–	(51,519)
Share of results of an associate	22	705	183
Other expenses		(14,941)	(85)
Finance costs		(290)	–
Loss before taxation		(224,189)	(781,358)
Taxation		35,454	311
Loss for the period/year		(188,735)	(781,047)

13. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS *(Continued)*

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

Loss for the year from discontinued logistics services operation for the period from 1 January 2012 to 27 December 2012 includes the following:

	Period ended 27 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
Auditor's remuneration	**90**	100
Borrowing cost on other borrowing	**290**	–
Staff costs	**32,190**	18,713
Cost of services provided*	**78,591**	41,904
Severance payment	**2,964**	–
Depreciation of property, plant and equipment	**11,845**	6,848
Impairment loss on property, plant and equipment (included in other expenses)	**14,920**	–
Impairment loss on other receivables	**228**	–
Impairment loss on trade and bills receivables	**5,174**	–
Net loss on disposals of property, plant and equipment	**59**	134
Provision for early termination of a tenancy agreement	**6,474**	–
Write-offs of property, plant and equipment (included in other expenses)	**21**	85
Bank interest income	**(228)**	(88)
Interest income from a related company	**(58)**	(243)
Interest income from advances	**(96)**	–
Interest income on finance leases	**(6)**	(3)
Investment income	**(135)**	–
Net exchange gain	**(46)**	(2,281)

* Cost of services provided included staff costs and severance payment of approximately HK$12,089,000 and HK$2,912,000 respectively.

No charge or credit arose on loss on discontinuance of the operation.

13. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS *(Continued)*

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

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

	Period ended 27 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
Operating activities	**(16,722)**	1,378
Investing activities	**5,586**	21,764
Financing activities	**(1,225)**	(471)
	(12,361)	22,671

The carrying amount of the assets and liabilities of the CLI Group at the date of deconsolidation are disclosed in note 45.

(b) Discontinued property investment operation

On 11 November 2012, the Group entered into a sales and purchase agreement with an independent third party to dispose of an investment property owned by a subsidiary of the Company for a consideration of HK$285,000,000. The Disposal was approved by independent shareholders in a special general meeting on 6 November 2012 and the completion of the Disposal shall take place on 8 April 2013 or such other date agreed by both parties in writing. The assets and liabilities attributable to the business, which are expected to be sold within twelve months, have been classified as disposal group held for sale and are presented separately in the consolidated statement of financial position. Details of the Disposal are set out in the announcements issued by the Company on 25 September 2012 and 6 November 2012 and a circular dated 22 October 2012.

13. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS *(Continued)*

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

As the property investment segment represents a separate major line of business of the Group, the disposal of investment property has constituted a discontinued operation. The results of the property investment operation for the year ended 31 December 2012 included in the consolidated income statement are set out as follows:

	Note	2012 HK$'000	2011 HK$'000
Administrative expenses		(1,115)	(1,135)
(Loss) gain arising on change in fair value of investment property	19	(36,000)	15,000
Finance costs		(1,592)	(1,523)
(Loss) profit before taxation		(38,707)	12,342
Taxation		–	–
(Loss) profit for the year		(38,707)	12,342

(Loss) profit for the year from discontinued property investment operation includes the following:

	2012 HK$'000	2011 HK$'000
Auditor's remuneration	20	10
Depreciation of property, plant and equipment	14	14
Borrowing costs on bank borrowings not wholly repayable within five years	1,592	1,523
Impairment loss on other receivables	14	–

No charge or credit arose on loss on discontinuance of the operation.

13. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS *(Continued)*

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

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

	2012 HK$'000	2011 HK$'000
Operating activities	(1,494)	(1,111)
Investing activities	28,500	(8)
Financing activities	(11,112)	(11,037)
	15,894	(12,156)

The property investment operation has been classified and accounted for at 31 December 2012 as asset held for sale (note 32).

14. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

15. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the loss for the year from continuing and discontinued operations of approximately HK$339,412,000 (2011: HK$934,159,000) and the weighted average number of 11,955,104,000 (2011: 10,565,103,000) ordinary shares in issue during the period.

From continuing operation

The calculation of basic and diluted loss per share from continuing operation attributable to the owners of the Company is based on the loss for the year from continuing operation of approximately HK$80,702,000 (2011: HK$165,536,000) and the weighted average number of 11,955,104,000 (2011: 10,565,103,000) ordinary shares in issue during the period.

15. LOSS PER SHARE *(Continued)*

From discontinued operations

Basic and diluted loss per share for the discontinued operations attributable to the owners of the Company is HK2.16 cents per share (2011: HK7.27 cents per share), based on the loss for the year from the discontinued operations of approximately HK$258,710,000 (2011: HK$768,623,000) and the denominators detailed above for both basic and diluted loss per share.

For the years ended 31 December 2012 and 2011, the diluted loss per share is the same as the basic loss per share.

The computation of diluted loss per share for the year ended 31 December 2012 did not assume the exercise of the Company's share options and convertible notes as the exercise prices of the share options and convertible notes were higher than the average market price for shares.

The computation of diluted loss per share for the year ended 31 December 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 computation of diluted loss per share for the year ended 31 December 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.

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the twelve (2011: nine) directors and the chief executive were as follows:

For the year ended 31 December 2012

Name of director	Fees HK$'000	Salaries, allowances and benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors				
Li Weimin ("Mr. Li") (note a)	372	–	–	372
Lam Yat Keung	267	1,656	14	1,937
Lim Chuan Yang (note b)	600	2,031	162	2,793
Huang Hanshui	600	1,454	125	2,179
Lam Hung Kit (note c)	50	155	1	206
Non-Executive Directors				
Liu Renhuai (note d)	–	–	–	–
Xin Luo Lin (note e)	66	–	–	66
Independent Non-Executive Directors				
Chau Pong Chi (note c)	8	–	–	8
Ching Betty Siu Kuen (note c)	8	–	–	8
Ho Chi Fai	90	–	–	90
Liu Yanfang	90	–	–	90
Ma Hongwei	90	–	–	90
	2,241	5,296	302	7,839

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2011

Name of director	Fees HK$'000	Salaries, allowances and benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Li	600	2,600	12	3,212
Wang Jianzhi (note f)	232	–	–	232
Lam Yat Keung	–	1,650	12	1,662
Huang Hanshui	600	1,200	120	1,920
Non-Executive Directors				
Liu Renhuai	300	–	–	300
Xin Luo Lin	150	–	–	150
Independent Non-Executive Directors				
Ho Chi Fai	90	–	–	90
Liu Yanfang	90	–	–	90
Ma Hongwei	90	–	–	90
	2,152	5,450	144	7,746

Notes:

(a) Office as a director of the Company was vacated on 8 November 2012. He was the Chief Executive Officer of the Company for the year ended 31 December 2011 and his emoluments disclosed above included those for services rendered by him as the Chief Executive Officer.

(b) Mr. Lim Chuan Yang was appointed as director on 1 January 2012. He was also the Chief Executive Officer of the Company for the year ended 31 December 2012 and his emoluments disclosed above included those for services rendered by him as the Chief Executive Officer.

(c) Appointed on 1 December 2012

(d) Resigned on 1 January 2012

(e) Retired on 8 June 2012

(f) Resigned on 20 May 2011

No director and chief executive waived or agreed to waive any emoluments for the years ended 31 December 2012 and 2011.

17. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2011: none) were directors of the Company whose emoluments are disclosed in note 16 above. The emoluments of the remaining two (2011: five) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits	2,203	942
Retirement benefits scheme contributions	28	49
Share option expenses	–	18,378
	2,231	19,369

Their emoluments were within the following bands:

	Number of employees	
	2012	2011
HK$1,000,001 to HK$1,500,000	2	–
HK$3,500,001 to HK$4,000,000	–	4
HK$4,000,001 to HK$4,500,000	–	1
	2	5

During the years ended 31 December 2012 and 2011, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements and others HK$'000	Trucks HK$'000	Total HK$'000
COST					
At 1 January 2011	–	193,285	54,029	43,004	290,318
Exchange realignment	29	896	132	482	1,539
Additions	–	11,124	40,159	7,210	58,493
Acquisition of subsidiaries (note 47)	2,554	34,955	11,518	41,996	91,023
Write-offs	–	(7,448)	(2,415)	–	(9,863)
Disposals	–	(14,495)	(142)	–	(14,637)
At 31 December 2011 and 1 January 2012	2,583	218,317	103,281	92,692	416,873
Exchange realignment	24	462	108	398	992
Additions	–	–	780	83	863
Derecognised upon deconsolidation of subsidiaries (note 45)	(2,607)	(35,786)	(12,050)	(93,173)	(143,616)
Write-offs	–	(9,198)	(2,698)	–	(11,896)
Disposals	–	(6,950)	(13,453)	–	(20,403)
At 31 December 2012	**–**	**166,845**	**75,968**	**–**	**242,813**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2011	–	104,050	18,521	4,802	127,373
Exchange realignment	–	180	6	6	192
Depreciation provided for the year	18	25,259	14,493	6,024	45,794
Impairment loss recognised in profit or loss	–	21,464	–	–	21,464
Eliminated on write-offs	–	(5,208)	(1,365)	–	(6,573)
Eliminated on disposals	–	(3,022)	–	–	(3,022)
At 31 December 2011 and 1 January 2012	18	142,723	31,655	10,832	185,228
Exchange realignment	1	112	13	67	193
Depreciation provided for the year	62	12,634	23,863	9,490	46,049
Impairment loss recognised in profit or loss	–	178	113	14,807	15,098
Eliminated on deconsolidation of subsidiaries (note 45)	(81)	(1,823)	(1,441)	(35,196)	(38,541)
Eliminated on write-offs	–	(9,198)	(1,968)	–	(11,166)
Eliminated on disposals	–	(4,067)	(5,641)	–	(9,708)
At 31 December 2012	**–**	**140,559**	**46,594**	**–**	**187,153**
CARRYING VALUES					
At 31 December 2012	**–**	**26,286**	**29,374**	**–**	**55,660**
At 31 December 2011	2,565	75,594	71,626	81,860	231,645

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold buildings	2% to 4%
Plant and machinery	10% to 30%
Leasehold improvements and others	10% to 30% or over the term of lease
Trucks	10% to 20%

The carrying value of the Group's office equipment and motor vehicles grouped under leasehold improvements and others includes an amount of approximately HK$13,000 (2011: HK$387,000) in respect of assets held under finance leases.

During the year ended 31 December 2012, the directors of the Company conducted a review of CLI's leasehold improvements and trucks and determined that a number of those assets should be impaired. Accordingly, impairment loss of approximately HK$14,920,000 had been recognised under other expenses of discontinued operations for the year ended 31 December 2012. The directors of the Company assessed the recoverable amounts based on the value in use or fair values less cost to sell, determined by reference to the market prices, as appropriate.

During the year ended 31 December 2012, the directors of the Company conducted a review of the Group's plant and machinery, leasehold improvements and others which were used in the electronic products segment, and determined that a number of those assets were impaired due to physical damage and idle, with reference to the valuations carried out by Malcolm & Associates Appraisal Limited ("Malcolm"), an independent professional valuer not connected with the Group. For idle plant and machinery, the valuation was arrived at by reference to market evidence of transaction prices less cost to sell for similar plant and machinery in same characteristics and conditions. For other assets, the recoverable amounts were determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 10.05%. Impairment loss of approximately HK$178,000 had been recognised under other expenses for the year ended 31 December 2012.

During the year ended 31 December 2011, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired due to physical damage and idle, with reference to the valuations valued by Malcolm and LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of transaction prices for similar plant and machinery in same characteristics and conditions. Accordingly, impairment loss of approximately HK$21,464,000 had been recognised under other expenses for the year ended 31 December 2011.

At 31 December 2011, the leasehold buildings were situated in the PRC and held under medium-term lease.

19. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 January 2011	300,000
Gain arising on change in fair value	15,000
At 31 December 2011 and 1 January 2012	315,000
Loss arising on change in fair value	(36,000)
Reclassified as asset held for sale (note 32)	(279,000)
At 31 December 2012	–

The fair value of the Group's investment property before the reclassification as asset held for sale in the consolidated statement of financial position was arrived at by reference to the consideration for the disposal less cost to sell.

The fair value of the Group's investment property at 31 December 2011 has been arrived at on the basis of a valuation carried out at that date 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.

The investment property is situated in Hong Kong and held under medium-term lease.

The investment property at 31 December 2011 and investment property classified as asset held for sale at 31 December 2012 has been pledged to secure bank borrowings of the Group. The secured bank borrowings associated with the investment property are classified as held for sale in 2012. Details of bank borrowings are set out in note 36.

20. GOODWILL

Goodwill acquired through business combinations has been allocated to CLI and CLBJ, the cash-generating units ("CGU") within the logistics services, a reportable segment of the Group, for impairment testing.

	CLI HK$'000	CLBJ HK$'000	Total HK$'000
COST			
At 1 January 2011	1,536,866	–	1,536,866
Acquisition of subsidiaries (note 47)	–	38,391	38,391
Exchange realignment	–	435	435
At 31 December 2011 and 1 January 2012	1,536,866	38,826	1,575,692
Exchange realignment	–	365	365
Derecognised on deconsolidation of subsidiaries (note 45)	(1,536,866)	(39,191)	(1,576,057)
At 31 December 2012	**–**	**–**	**–**
IMPAIRMENT			
At 1 January 2011	878,971	–	878,971
Impairment loss recognised	657,895	–	657,895
At 31 December 2011 and 1 January 2012	1,536,866	–	1,536,866
Impairment loss recognised	–	39,191	39,191
Eliminated on deconsolidation of subsidiaries (note 45)	(1,536,866)	(39,191)	(1,576,057)
At 31 December 2012	**–**	**–**	**–**
CARRYING VALUES			
At 31 December 2012	**–**	**–**	**–**
At 31 December 2011	–	38,826	38,826

20. GOODWILL *(Continued)*

CLI

As at 31 December 2011, the directors of the Company conducted a review on the recoverable amount of CLI and due to the occurrence of business interruptions, the directors of the Company considered that the entire amount of goodwill attributable to CLI was irrecoverable. As such, an impairment loss on goodwill of approximately HK$657,895,000 (2012: nil) had been recognised during the year ended 31 December 2011.

CLBJ

Before the Winding-up, the directors of the Company conducted a review on the recoverable amount of CLBJ and determined that goodwill was fully impaired by approximately HK$39,191,000. The impairment was mainly due to the adverse situations faced by the CLBJ Group, including the adverse situations faced by the Zhanjiang projects (see note 21), CITIC Auto Lawsuit (as defined in note 53(b)) and cessation of business activities in the Beijing head office of CLBJ. Details of which are set out in the Company's announcements dated 3 August 2012, 30 November 2012 and 12 December 2012 and the Company's circular dated 22 October 2012.

At 31 December 2011, the recoverable amount of the CGU was determined based on a value in use calculation. The key assumptions for the value in use calculation were those regarding the discount rate, growth rate, and budgeted revenue and gross margin. The discount rates used were pre-tax and reflect specific risks relating to CLBJ. The growth rate was determined based on the management's expectation on the relevant industry growth forecast and did not exceed the average long term growth rate for the relevant industry. The budgeted revenues and gross margin were estimated based on management's expectations for project and market development.

The value in use calculation as at 31 December 2011 primarily used cash flow projections based on financial budgets covering a 5-year period approved by management of CLBJ. The discount rate applied to the cash flow projections was 17% and cash flows beyond the 5-year period were extrapolated using a steady growth rate of 3% approximate to year end. With reference to a valuation conducted by LCH, no impairment loss on goodwill was required.

21. OTHER INTANGIBLE ASSETS

	Service agreements		
	Shipping logistics business	Local transportation logistics business	Total
	HK$'000	HK$'000	HK$'000
COST			
At 1 January 2011	490,000	–	490,000
Acquisition of subsidiaries (note 47)	–	138,911	138,911
Exchange realignment	–	1,594	1,594
At 31 December 2011 and 1 January 2012	490,000	140,505	630,505
Exchange realignment	–	1,311	1,311
Derecognised upon deconsolidation of subsidiaries (note 45)	(490,000)	(141,816)	(631,816)
At 31 December 2012	–	–	–
AMORTISATION AND IMPAIRMENT			
At 1 January 2011	372,000	–	372,000
Amortisation	51,519	–	51,519
Impairment loss recognised	66,481	–	66,481
At 31 December 2011 and 1 January 2012	490,000	–	490,000
Impairment loss recognised	–	141,816	141,816
Eliminated on deconsolidation of subsidiaries (note 45)	(490,000)	(141,816)	(631,816)
At 31 December 2012	–	–	–
CARRYING VALUES			
At 31 December 2012	–	–	–
At 31 December 2011	–	140,505	140,505

21. OTHER INTANGIBLE ASSETS *(Continued)*

The above intangible assets have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of 3.4 to 8 years.

Service agreement for shipping logistics business of HK$490,000,000 arose from the acquisition of CLI on 19 November 2009 and was valued as of that date by Malcolm. The service agreement is amortised over the remaining service period of 3.4 years. The service agreement is attributed to CLI, a CGU of the logistics services, a reportable segment of the Group.

Service agreement for local transportation logistics business of HK$138,911,000 arose from the acquisition of 90% equity interest in CLBJ on 7 November 2011 and was valued as of that date by LCH. The service agreement had a valid period of 8 years. The service agreement is attributed to CLBJ, a CGU of the logistics services, a reportable segment of the Group.

As at 31 December 2011, the directors of the Company performed an impairment assessment on the service agreement acquired through the acquisition of CLI, and considered that the entire amount of the service agreement attributed to CLI was irrecoverable due to the occurrence of business interruptions on the shipping services. Accordingly, an impairment loss on the service agreement of approximately HK$66,481,000 was recognised during the year ended 31 December 2011.

Before the Winding-up, the directors of the Company performed an impairment assessment on the service agreement acquired through the acquisition of CLBJ given the adverse situations faced by the Zhanjiang projects. As announced by the Company on 3 August 2012 and 12 December 2012, CITIC Auto (as defined in note 53(b)) required that CLBJ and its subsidiary cease to use the logo and the name of "CITIC" or "中信", and the Company understood that such cessation may affect the continuation of the Zhanjiang projects. Also, as set out in the Company's circular dated 22 October 2012 and the Company's announcement dated 30 November 2012, neither CLBJ nor the Group had sufficient funds to invest in the Zhanjiang projects. Due to the adverse situations faced by the Zhanjiang projects, the directors of the Company considered that the entire amount of the service agreement attributable to CLBJ was irrecoverable. Accordingly, an impairment loss on the service agreement of approximately HK$141,816,000 was recognised during the year ended 31 December 2012.

22. INTEREST IN AN ASSOCIATE

	2012 HK$'000	2011 HK$'000
Cost of investment in an unlisted associate in the PRC arising on acquisition of subsidiaries (note 47)	–	7,077
Share of post-acquisition profits and other comprehensive income, net of dividends received	–	266
	–	7,343

The summarised financial information in respect of the Group's associate is set out below:

	2012 HK$'000	2011 HK$'000
Total assets	–	26,316
Total liabilities	–	(7,958)
Net assets	–	18,358
Group's share of net assets of an associate	–	7,343
Revenue	47,649	18,037
Profit for the year	1,763	458
Other comprehensive income for the year	186	206
Group's share of post-acquisition profits and other comprehensive income for the year	779	266

22. INTEREST IN AN ASSOCIATE *(Continued)*

As at 31 December 2012 and 2011, the Group has interest in the following associate:

Name of associate	Place of operation/ incorporation and form of business structure	Class of share held	Proportion of nominal value of registered capital indirectly held by the Company		Proportion of voting power held		Principal activities
			2012	2011	2012	2011	
Ningbo Lingxin	The PRC Registered	Paid-up capital	–	40%*	–	40%*	Provision of logistics services

* Held indirectly through CLBJ

On 27 December 2012, the interest in an associate was derecognised upon deconsolidation of subsidiaries.

23. FINANCE LEASE RECEIVABLES

Certain of the trucks of the Group are leased out under finance leases. The average term of the finance leases entered into is 5 years. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	–	165	–	154
In the second to fifth year inclusive	–	104	–	102
	–	269	–	256
Less: Unearned finance income	–	(13)	–	N/A
Present value of minimum lease payment receivables	–	256	–	256
Less: Amounts due within one year shown under current assets			–	(154)
Amounts due after one year			–	102

23. FINANCE LEASE RECEIVABLES *(Continued)*

Effective interest rates of the above finance leases were 5.81% per annum. Finance lease receivables are denominated in RMB, the functional currency of the respective reporting entity of the Group.

Finance lease receivables are secured over the trucks leased. The Group is not permitted to sell or repledge the collateral in the absence of defaults by the lessee.

The finance lease receivables at 31 December 2011 are neither past due nor impaired.

At 31 December 2011, the fair value of the finance lease receivables is estimated to be HK$252,000 (2012: nil) using 5% (2012: nil) discount rate.

24. DEPOSITS PAID FOR POTENTIAL INVESTMENTS

As set out in the Company's annual report for the year ended 31 December 2011, on 22 October 2010, CLI entered into a memorandum of understanding (the "MOU") with Ichihan International Investment Limited ("Ichihan"), a company incorporated in Hong Kong and an independent third party to the Group, for potential investment projects including but not limited to acquiring equity interest in Ichihan or its subsidiaries, or setting up joint venture with Ichihan or its subsidiaries. During the year ended 31 December 2010, CLI had paid a refundable deposit of HK$50,000,000 (the "Refundable Deposit") to Ichihan. The payment of the Refundable Deposit enabled CLI to conduct the necessary due diligence investigation and if the deal proceeded, the Refundable Deposit would form part of the total consideration. If the deal did not materialise within 180 days from the date of the MOU, the MOU would be lapsed and Ichihan would refund the Refundable Deposit to CLI.

On 21 March 2011, the Group decided not to proceed further with the deal. During the year ended 31 December 2011, HK$24,000,000 was refunded to the Group, and the remaining balance of HK$26,000,000 was 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 and the deeds of assignment and the deed of agreement dated 23 August 2012 during the year ended 31 December 2012.

25. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**47,424**	37,927
Work-in-progress	**2,229**	4,537
Finished goods	**51,008**	55,795
	100,661	98,259

26. TRADE AND BILLS RECEIVABLES

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

	2012 HK$'000	2011 HK$'000
Trade and bills receivables	**181,416**	239,285
Less: Accumulated impairment	**(541)**	(1,938)
	180,875	237,347

The Group did not hold any collateral over the trade and bills receivables.

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

26. TRADE AND BILLS RECEIVABLES *(Continued)*

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:

	2012 HK$'000	2011 HK$'000
Current	164,970	156,237
Overdue:		
– within 3 months	10,591	22,091
– 4-6 months	4,375	2,341
– 7-12 months	939	3,234
– over 12 months	–	53,444
	15,905	81,110
	180,875	237,347

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately HK$15,905,000 (2011: HK$81,110,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss. Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

26. TRADE AND BILLS RECEIVABLES *(Continued)*

Movement in the impairment on trade receivables:

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	1,938	2,701
Impairment loss recognised	5,689	–
Impairment loss reversed	–	(807)
Acquisition of subsidiaries	–	44
Amount written off as uncollectible	(1,868)	–
Eliminated on deconsolidation of subsidiaries	(5,218)	–
Balance at end of the year	541	1,938

Included in the impairment on trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$541,000 (2011: HK$1,938,000) since the management considered the prolonged outstanding balances were uncollectible.

During the year ended 31 December 2011, the Group collected settlements from certain debtors for which impairment loss had been recognised in prior years. As a result, impairment loss of approximately HK$807,000 (2012: nil) was reversed during the year ended 31 December 2011.

Included in trade and bills receivables are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2012 '000	2011 '000
HK$	53,152	37,562
US$	–	6,123
RMB	79,583	63,015

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Prepayments, deposits and other receivables	22,261	57,115
Less: Accumulated impairment	(19,599)	(19,585)
	2,662	37,530

The Group did not hold any collateral over the other receivables.

At 31 December 2011, included in prepayments, deposits and other receivables was an advance of HK$20,000,000 (2012: nil) made to an independent third party. The advances were unsecured with an initial term of 1 year and bearing interest at 1.3% per annum over 1-month Hong Kong Interbank Offered Rate ("HIBOR").

Included in the impairment on other receivables are individually impaired other receivables with an aggregate balance of HK$19,599,000 (2011: HK$19,585,000) since the management considered the prolonged outstanding balances were uncollectible.

Movement in the impairment on prepayment, deposits and other receivables:

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	19,585	19,585
Impairment loss recognised	242	–
Eliminated on deconsolidation of subsidiaries	(228)	–
Balance at end of the year	19,599	19,585

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Included in prepayments, deposits and other receivables are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2012 '000	2011 '000
HK$	1,006	1,007
US$	–	22
RMB	148	756

28. DIVIDEND RECEIVABLES

The dividend receivables from an associate were unsecured, interest-free and repayable on demand.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$'000	2011 HK$'000
Held for trading:		
Unlisted debt investment in the PRC, at fair value	–	7,395

At 31 December 2011, the financial assets at fair value through profit or loss were short-term debt investments with maturity dates on 12 January 2012 and 28 January 2012.

30. DEPOSITS IN OTHER FINANCIAL INSTITUTIONS

The amounts at 31 December 2012 and 2011 represented deposits placed with securities brokers for trading securities and carried interest at prevailing market rates.

31. BANK BALANCES AND CASH

At 31 December 2012 and 2011, cash at bank carries interest at floating rates based on daily bank deposits rates.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2012 '000	2011 '000
HK$	13,342	9,382
US$	–	11
RMB	164	7,582

32. ASSET CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSET CLASSIFIED AS HELD FOR SALE

As mentioned in note 13b, on 11 November 2012, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property at a consideration of HK$285,000,000.

During the year ended 31 December 2012, deposit of approximately HK$28,500,000 has been received as part of the consideration and included in other payables as at 31 December 2012. The remaining balance of approximately HK$256,500,000 will be settled upon the completion of the Disposal.

The major classes of asset and liabilities in relation to the investment property as at 31 December 2012, which have been presented separately in the consolidated statement of financial position, are as follows:

	2012 HK$'000
Investment property (note 19) and total asset classified as held for sale	279,000
Secured bank borrowings (note 36)	143,564
Other payables and accruals	73
Total liabilities associated with asset classified as held for sale	143,637

33. 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:

	2012 HK$'000	2011 HK$'000
Current	67,723	55,832
Overdue:		
– within 3 months	31,922	10,802
– 4-6 months	116	498
– 7-12 months	213	689
– over 12 months	–	4,635
	99,974	72,456

The average credit period on purchases is 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in trade and bills payables are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2012 '000	2011 '000
HK$	9,096	16,292
RMB	68,885	32,521
JPY	–	16,704

34. OTHER PAYABLES AND ACCRUALS

At 31 December 2011, included in other payables and accruals was a compensation payable of HK$29,319,000 in respect of a litigation. Details of the litigation are set out in note 53(a). The amount has been fully settled during the year ended 31 December 2012.

At 31 December 2011, included in other payables and accruals were consideration payable of HK$442,000 and HK$21,414,000 to Mr. Li and Pioneer Blaze respectively in connection with the CLBJ Acquisition (as defined in note 47). Details of the acquisition are set out in note 47. The amounts have been settled by way of issue of shares during the year ended 31 December 2012 (note 43(c)).

Included in other payables and accruals are the following amounts denominated in currencies other than the functional currency of the respective reporting entity of the Group:

	2012 '000	2011 '000
HK$	2,798	4,965
RMB	2,260	4,002

35. AMOUNT DUE TO A NON-CONTROLLING EQUITY HOLDER OF A SUBSIDIARY

At 31 December 2011, the amount was unsecured, interest-free and repayable on demand. The amount has been derecognised upon deconsolidation of subsidiaries during the year ended 31 December 2012.

36. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Bank borrowings (secured) – repayable on demand (note a)		
– mortgage loan (note b)	135,850	143,650
– term loan (note c)	7,714	9,429
	143,564	153,079
Reclassified as liabilities associated with asset classified as held for sale (note 32)	(143,564)	–
	–	153,079

36. BANK BORROWINGS *(Continued)*

Notes:

(a) Based on the facility agreement, the mortgage loan and the term loan will be repaid by 240 and 84 monthly instalments respectively. 209 (2011: 221) and 54 (2011: 66) instalments of the mortgage loan and the term loan remained outstanding as at 31 December 2012 respectively. The facility agreement contains a repayment on demand clause pursuant to which the bank can at its discretion demand repayment of the entire outstanding balance from the Group in the absence of any defaults.

(b) Mortgage loan carries interest at 0.75% per annum over 1-month HIBOR.

(c) Term loan carries interest at 0.9% per annum over 1-month HIBOR.

The bank borrowings are denominated in HK$ and secured by a mortgage on the Group's investment property (note 19) and a corporate guarantee provided by the Company.

37. FINANCIAL GUARANTEE LIABILITIES

During the year ended 31 December 2012, the Company provided a corporate guarantee in relation to other borrowing of HK$8,000,000 made by an independent third party to CLI. As a result of the Winding-up, the directors of the Company consider it is probable that a claim will be made against the Company pursuant to the guarantee. Accordingly, the Company has made provision of approximately HK$8,300,000 for the principal and the interest accrued. The other borrowing carries interest at 12% per annum and repayable within one year.

38. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its office equipment (2011: office equipment and motor vehicles) under finance leases for its business operation. The lease term is 5 years (2011: 3 to 5 years). Interest rate underlying obligations under finance leases was fixed at respective contract dates and was 2.5% (2011: 2.5% to 4.86%).

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases repayable:				
Within one year	**5**	255	**5**	248
In the second to fifth years inclusive	**10**	15	**9**	14
	15	270	**14**	262
Less: Future finance charges	**(1)**	(8)	**N/A**	N/A
Present value of lease obligations	**14**	262	**14**	262
Less: Amounts due within one year shown under current liabilities			**(5)**	(248)
Amounts due after one year			**9**	14

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets and are denominated in HK$ which is different from the functional currency of the respective reporting group entity of the Group.

39. AMOUNT DUE TO A SHAREHOLDER

At 31 December 2011, the amount of approximately HK$108,620,000 due to Pioneer Blaze, a shareholder of the Company, was unsecured, interest-free and not repayable within one year. The amount was denominated in HK$ which was different from the functional currency of the respective reporting entity of the Group.

During the year ended 31 December 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 and the deeds of assignment and the deed of agreement dated 23 August 2012. After the offsetting, the remaining balance of the shareholder loan due to Pioneer Blaze of approximately HK$55,798,000 was derecognised upon deconsolidation of subsidiaries.

40. CONVERTIBLE NOTES

On 19 November 2009, the Company issued unsecured convertible notes for the partial settlement of the consideration for the acquisition of CLI. Details of the transaction are set out in the Company's circular dated 16 October 2009. The sole holder of the convertible notes, Mr. Li, was appointed as an executive director of the Company on 24 December 2009 and his office as director of the Company was vacated with effect from 8 November 2012.

Details of the Group's convertible notes outstanding as at 31 December 2012 and 2011 are set out below:

Date of issue	:	19 November 2009
Principal amount	:	HK$950,400,000
Outstanding principal amount at the end of the reporting period	:	HK$302,400,000
Coupon rate	:	Nil
Conversion price	:	HK$0.12 per share
Conversion period	:	The period commencing from the date of issue of the convertible notes and ending on the maturity date
Collaterals	:	Nil
Maturity date	:	15 November 2014

40. CONVERTIBLE NOTES *(Continued)*

At any time after the issue of the convertible notes, the Company shall be entitled at its discretion by giving not less than seven days notice to the holder of the convertible notes to redeem outstanding convertible notes.

If an event of default by the Company (as defined in the terms and conditions of the convertible notes) occurs, the noteholder may elect for redemption of the convertible notes. Subject to the occurrence of an event of default (as defined in the terms and conditions of the convertible notes), the convertible notes may be redeemed in amounts of HK$100,000 or integral multiples thereof at the option and in the absolute discretion of the Company on any business day prior to the date falling on the fifth anniversary of the date of issue of convertible notes.

The convertible notes contain two components, liability and equity components. The equity component is presented in equity under the heading of convertible notes reserve. The effective interest rate of the liability component of the convertible notes is 7.60% per annum. The liability and equity components of the convertible notes are measured at fair values at the date of issue and the valuation was determined by Malcolm.

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 during the year ended 31 December 2011.

Convertible notes of the Company with aggregate principal amount of HK$36,000,000 were redeemed during the year ended 31 December 2011.

As at 31 December 2012 and 2011, the principal amount of convertible notes remained outstanding is HK$302,400,000 of which 2,520,000,000 potential shares will be issued upon their conversions.

40. CONVERTIBLE NOTES *(Continued)*

Movements of the liability and equity components of the convertible notes for the years ended 31 December 2012 and 2011 are set out below.

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 January 2011	498,416	203,074	701,490
Conversion into shares of the Company (note 43(b))	(249,786)	(99,330)	(349,116)
Redemption of convertible notes	(27,894)	(11,037)	(38,931)
Imputed interest charged to the consolidated income statement (note 9)	24,095	–	24,095
At 31 December 2011 and 1 January 2012	244,831	92,707	337,538
Imputed interest charged to the consolidated income statement (note 9)	18,607	–	18,607
At 31 December 2012	263,438	92,707	356,145

No transaction costs related to the issue of the convertible notes were allocated to the liability and equity components as the directors of the Company were of the opinion that it was impracticable to quantify the amount.

41. EMPLOYEE BENEFITS

	2012 HK$'000	2011 HK$'000
Liabilities for employee benefit comprise:		
Annual leave payments accrual	**2,833**	2,610
Long service payments accrual (note 50)	**86**	123
	2,919	2,733
Categorised as:		
Due within one year (included in other payables and accruals)	**2,833**	2,610
Due after one year (shown under non-current liabilities)	**86**	123
	2,919	2,733

42. DEFERRED TAX

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the years ended 31 December 2012 and 2011:

	Accelerated tax depreciation and impairment of property, plant and equipment HK$'000	Impairment on trade receivables HK$'000	Tax losses HK$'000	Other intangible assets HK$'000	Total HK$'000
At 1 January 2011 (Restated)	16,427	(446)	(5,303)	–	10,678
(Credited) charged to profit or loss	(4,478)	133	(6,636)	–	(10,981)
Exchange realignment	23	–	(77)	398	344
Acquisition of subsidiaries (note 47)	1,948	–	(6,382)	34,728	30,294
At 31 December 2011 and 1 January 2012	13,920	(313)	(18,398)	35,126	30,335
(Credited) charged to profit or loss	(5,149)	223	4,918	(35,454)	(35,462)
Exchange realignment	79	–	(124)	328	283
Derecognised upon deconsolidation of subsidiaries (note 45)	(6,070)	–	10,914	–	4,844
At 31 December 2012	2,780	(90)	(2,690)	–	–

42. DEFERRED TAX *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 HK$'000	2011 HK$'000
Deferred tax liabilities	2,780	49,046
Deferred tax assets	(2,780)	(18,711)
	–	30,335

As at 31 December 2012, the Group has unused estimated tax losses of approximately HK$122,035,000 (2011: HK$161,844,000). A deferred tax asset has been recognised in respect of such tax losses of approximately HK$16,303,000 (2011: HK$97,558,000). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$105,732,000 (2011: HK$64,286,000) due to the unpredictability of future profits streams.

Included in unrecognised tax losses are losses of approximately HK$2,622,000 (2011: HK$1,051,000) that will expire after five years from the year of assessment to which they relate to. Other losses may be carried forward indefinitely.

As at 31 December 2012, the Group has deductible temporary differences of approximately HK$542,000 (2011: HK$11,788,000). A deferred tax asset has been recognised in respect of these deductible temporary differences of approximately HK$542,000 (2011: HK$1,894,000). As at 31 December 2011, deferred tax asset in respect of the remaining deductible temporary differences of approximately HK$9,894,000 (2012: nil) has not been recognised due to the unpredictability of future profits streams.

43. SHARE CAPITAL

	Number of shares '000	HK$'000
Authorised ordinary shares of HK$0.01 each:		
At 1 January 2011, 31 December 2011 and 31 December 2012	30,000,000	300,000
Issued and fully paid ordinary shares of HK$0.01 each:		
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 and 1 January 2012	11,754,510	117,545
Issue of shares for settlement of remaining consideration for acquisition of subsidiaries (note c)	212,189	2,122
At 31 December 2012	11,966,699	119,667

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 CLBJ Acquisition (as defined in note 47) as set out in note 47. 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. Details of the convertible notes are set out in note 40.

(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 remaining consideration for the CLBJ Acquisition. These new shares issued ranked pari passu with other shares then in issue in all respects. The premium arising from the issue of these new shares of approximately HK$19,734,000 was credited to the share premium account. No direct issue costs related to the issue of these new shares were allocated as the directors of the Company were of the opinion that the amount was insignificant.

44. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 28 November 2002 (the "2002 Share Option Scheme") for the purpose of providing incentives or rewards to wider classes of person or entity to be the participants (the "Participants") thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

On 8 June 2012, a new share option scheme (the "2012 Share Option Scheme") was adopted by the shareholders of the Company, pursuant to an ordinary resolution passed at the annual general meeting held on 8 June 2012. The 2002 Share Option Scheme was terminated accordingly on the same day and no further options will be granted under the 2002 Share Option Scheme but in all other respects, the provision of the 2002 Share Option Scheme shall remain in full force and effect in respect of any options granted prior to the adoption of the 2012 Share Option Scheme and any such options shall continue to be valid and exercisable in accordance with their terms of issue. The 2012 Share Option Scheme will be expired on 7 June 2022.

Terms of 2012 Share Option Scheme

Pursuant to the terms of the 2012 Share Option Scheme, the directors of the Company may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up options to subscribe for shares:

(a) any eligible employee;

(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or technological support or services to the Group or any Invested Entity;

(f) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

(g) any ex-employee who has contributed to the development and growth of the Group and any Invested Entity.

44. SHARE OPTION SCHEME *(Continued)*

Terms of 2012 Share Option Scheme *(Continued)*

The basis of eligibility of any of the above class of Participants to the grant of any options shall be determined by the directors of the Company from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity based on his work experience, industry knowledge or other relevant factors, or is expected to be able to contribute to the business development of the Group and any Invested Entity based on his business connections or other relevant factors, and subject to such conditions as the directors of the Company think fit.

The subscription price for the shares under the 2012 Share Option Scheme shall be a price determined by the directors of the Company, but shall not be lower than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. Options granted are exercisable at any time during a period to be notified by the directors of the Company but limited to a maximum period of ten years after the date the options are granted. Options granted should be accepted within 28 days from the date of offer. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and the other schemes shall not exceed 10% of the shares in issue at the date on which the 2012 Share Option Scheme is conditionally adopted by the Company at a general meeting of the shareholders.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to Participants specifically identified by the Company before shareholders' approval is sought.

44. SHARE OPTION SCHEME *(Continued)*

Terms of 2012 Share Option Scheme *(Continued)*

Unless approved by the shareholders as set out herein, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any twelve-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a Participant would result in the shares issued and to be issued upon exercise of any options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his associates abstaining from voting.

However, the overall limit on the number of shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

Unless the directors of the Company otherwise determined and stated in the offer of the grant of options to a Participant, a Participant is not required to achieve any performance targets before any options granted under the 2012 Share Option Scheme can be exercised.

On 30 November 2011, 1,018,279,000 share options were granted. The options vested immediately with the grantees on acceptance of the grant of share options by the grantees. The closing share price of the Company on the date of grant was HK$0.098.

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding and exercisable under the 2002 Share Option Scheme was 1,078,793,000 (2011: 1,365,591,000) representing 9% (2011: 11.6%) of the shares of the Company in issue at that date. No option was granted under the 2012 Share Option Scheme.

44. SHARE OPTION SCHEME *(Continued)*

The following tables disclosed the movements of the Company's share options for the years ended 31 December 2012 and 2011:

For the year ended 31 December 2012

Participants	Date of grant	Exercise price per share	Number of share options: Outstanding at 1 January 2012 '000	Granted during the year '000	Exercised during the year '000	Cancelled/ lapsed during the year '000	Outstanding at 31 December 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	–	–	(113,142)	565,711
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	–	–	(286,798)	1,078,793
Exercisable at the end of the reporting period							1,078,793
Weighted average exercise price			HK$0.151	–	–	HK$0.223	HK$0.131

44. SHARE OPTION SCHEME *(Continued)*

For the year ended 31 December 2011

			Number of share options				
Participants	**Date of grant**	**Exercise price per share**	**Outstanding at 1 January 2011** '000	**Granted during the year** '000	**Exercised during the year** '000	**Cancelled/ lapsed during the year** '000	**Outstanding at 31 December 2011** '000
Director	6 December 2010	HK$0.305	86,828	–	–	–	86,828
Employees	6 December 2010	HK$0.305	206,094	–	–	(32,438)	173,656
	30 November 2011	HK$0.098	–	791,995*	–	–	791,995
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
			379,750	1,018,279	–	(32,438)	1,365,591
Exercisable at the end of the reporting period							1,365,591
Weighted average exercise price			HK$0.305	HK$0.908	–	HK$0.305	HK$0.151

* 113,142,000 share options were granted to Mr. Lim Chuan Yang in 2011, who was appointed as a director of the Company on 1 January 2012.

The options outstanding at 31 December 2012 had an exercisable period of 10 years from the date of grant and a weighted average remaining contractual life of 8.8 years (2011: 9.7 years).

The fair values of the options granted on 30 November 2011 was HK$33,081,000 as estimated by LCH.

44. SHARE OPTION SCHEME *(Continued)*

These fair values were calculated using The Black-Scholes option-pricing model. The inputs into the model were as follows:

Date of grant	30 November 2011
Fair value per share option	HK$0.032
Closing share price at date of grant	HK$0.098
Exercise price	HK$0.098
Expected volatility	70.94%
Expected life of the options	2 years
Expected dividend yield	Nil
Risk-free interest rate	0.26%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 500 trading days. The option life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations. Expectations of early exercise are incorporated into the Black-Scholes option-pricing model.

The Group recognised a total expense of approximately HK$33,081,000 for the year ended 31 December 2011 (2012: nil) in relation to share options granted by the Company. The Company's share options granted to the Participants during the year ended 31 December 2011 are measured by reference to the fair value of options estimated by LCH since the fair value of the services provided by all the Participants cannot be estimated reliably.

45. DECONSOLIDATION OF SUBSIDIARIES

As referred to in notes 1 and 13a, on 27 December 2012, the Group discontinued its logistics services operation at the time of commencement of the Winding-up of its subsidiary, CLI. The net assets of the CLI Group at the date of deconsolidation were as follows:

	As at 27 December 2012 HK$'000
Analysis of assets and liabilities over which control was lost:	
Deferred tax assets	4,844
Property, plant and equipment	105,075
Goodwill	–
Other intangible assets	–
Interest in an associate	7,892
Finance lease receivables	182
Trade receivables	61,487
Prepayments, deposits and other receivables	8,109
Dividend receivables	1,092
Financial assets at fair value through profit and loss	2,488
Restricted bank balance	498
Bank balances and cash	10,042
Amounts due from the Retained Group	7,405
Trade payables	(10,849)
Other payables and accruals	(20,348)
Amount due to a non-controlling equity holder	(29,040)
Other borrowing	(8,000)
Amount due to a shareholder	(55,798)
Amounts due to the Retained Group	(178,906)
Net liabilities derecognised	(93,827)
Gain on deconsolidation of subsidiaries:	
Net liabilities derecognised	93,827
Non-controlling interests	38,801
Cumulative exchange differences in respect of the net liabilities of subsidiaries reclassified from equity to profit or loss on deconsolidation of the subsidiaries	3,437
Gain on deconsolidation of subsidiaries	136,065
Net cash outflow arising upon deconsolidation:	
Bank balances and cash derecognised upon deconsolidation	10,042

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Non-current asset		
Investments in subsidiaries	**46,400**	46,400
Current assets		
Prepayments, deposits and other receivables	**915**	21,392
Amounts due from subsidiaries (note a)	**76,868**	479,201
Amounts due from former subsidiaries (note a)	**–**	–
Bank balances and cash	**12,695**	1,827
	90,478	502,420
Current liability		
Other payables and accruals	**11,878**	3,254
Net current assets	**78,600**	499,166
Total assets less current liability	**125,000**	545,566
Non-current liability		
Convertible notes	**263,438**	244,831
Net (liabilities) assets	**(138,438)**	300,735
Capital and reserves		
Share capital	**119,667**	117,545
Reserves (note b)	**(258,105)**	183,190
Total equity	**(138,438)**	300,735

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

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

(b) Movements in the reserves during the years are as follows:

	Share premium	Contributed surplus	Share-based compensation reserve	Convertible notes reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	1,834,074	62,315	31,310	203,074	(1,380,944)	749,829
Loss and total comprehensive expense for the year	–	–	–	–	(846,039)	(846,039)
Recognition of equity-settled share option expenses	–	–	33,081	–	–	33,081
Share options lapsed	–	–	(2,675)	–	2,675	–
Issue of shares upon conversion of convertible notes	322,116	–	–	(99,330)	–	222,786
Redemption of convertible notes	–	–	–	(11,037)	–	(11,037)
Acquisition of subsidiaries	34,570	–	–	–	–	34,570
At 31 December 2011 and 1 January 2012	2,190,760	62,315	61,716	92,707	(2,224,308)	183,190
Loss and total comprehensive expense for the year	–	–	–	–	(461,029)	(461,029)
Share options lapsed	–	–	(17,994)	–	17,994	–
Acquisition of subsidiaries	19,734	–	–	–	–	19,734
At 31 December 2012	**2,210,494**	**62,315**	**43,722**	**92,707**	**(2,667,343)**	**(258,105)**

47. ACQUISITION OF SUBSIDIARIES

On 7 November 2011, the Group acquired the entire equity interest in Sino Summit Investments Limited ("Sino Summit") from Pioneer Blaze, the then independent third party, and acquired 30% equity interest in CLBJ from Mr. Li, the then executive director of the Company (collectively referred to as the "CLBJ Acquisition"). The principal asset of Sino Summit was 60% equity interest in CLBJ. Accordingly, CLBJ became a 90% owned subsidiary of the Group upon the completion of the acquisition. The principal activities of CLBJ are the provision of logistics services in the PRC. The acquisition of CLBJ could further expand the Group's logistics business.

The acquisition had been accounted for using the purchase method. Upon the completion of the acquisition, amounts due from a related company and amounts due to a director and a non-controlling equity holder of a subsidiary of HK$37,636,000, HK$26,123,000 and HK$19,621,000 respectively were assigned to the Group. The consideration for the acquisition was satisfied by the issue of 583,909,000 ordinary shares of the Company in aggregate. 371,720,000 and 212,189,000 ordinary shares of the Company were issued on 7 November 2011 and 20 January 2012 respectively. The fair value of the ordinary shares issued was determined with reference to the closing market price at the date of completion of the acquisition on 7 November 2011 of HK$0.103.

Consideration transferred:

	HK$'000
Issue of shares:	
Issued in November 2011	38,287
Issued in January 2012 (note 43(c))	21,856
	60,143

Acquisition-related costs amounting to HK$5,566,000 had been excluded from the consideration transferred and had been recognised as expenses in the prior years.

47. ACQUISITION OF SUBSIDIARIES *(Continued)*

The net assets acquired being the fair value, in the transaction and the goodwill arising on acquisition, were as follows:

	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**
	HK$'000	HK$'000	HK$'000
Property, plant and equipment (note 18)	91,023	–	91,023
Other intangible assets (note 21)	–	138,911	138,911
Interest in an associate (note 22)	7,077	–	7,077
Finance lease receivables	362	–	362
Trade and bills receivables	31,570	–	31,570
Prepayments, deposits and other receivables	7,250	–	7,250
Financial assets at fair value through profit or loss	2,437	–	2,437
Amount due from a related company	37,636	–	37,636
Dividend receivables	1,815	–	1,815
Restricted bank balances#	23,537	–	23,537
Bank balances and cash	13,699	–	13,699
Trade and bills payables	(10,210)	–	(10,210)
Other payables and accruals	(66,982)	–	(66,982)
Amount due to a shareholder	(109,542)	–	(109,542)
Amount due to non-controlling equity holders of a subsidiary	(48,066)	–	(48,066)
Amount due to a director of a subsidiary	(26,123)	–	(26,123)
Deferred tax assets (liabilities)	4,434	(34,728)	(30,294)
Non-controlling interests##	(40,038)	(10,418)	(50,456)
Net assets acquired	(80,121)	93,765	13,644
Amount due from a related company			(37,636)
Amount due to a non-controlling equity holder of a subsidiary			19,621
Amount due to a director of a subsidiary			26,123
Goodwill (note 20)			38,391
Total consideration			60,143

47. ACQUISITION OF SUBSIDIARIES *(Continued)*

\# The bank balances were frozen by court orders for the settlement of the compensation payable in respect of a litigation as further detailed in note 53a.

\## The non-controlling interests recognised at the acquisition date was measured by the non-controlling interests' proportionate share of the net assets acquired.

The fair value of trade and bills receivables at the date of acquisition amounted to HK$31,570,000. The gross contractual amounts of those trade and bills receivables acquired amounted to HK$31,614,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$44,000.

The directors of the Company considered that the carrying amount of the net assets acquired upon the acquisition approximated to its fair value. The goodwill was attributable to the anticipated profitability from the acquired business.

An analysis of the net cash inflow in respect of the acquisition of subsidiaries is as follow:

	HK$'000
Bank balances and cash acquired	13,699

Sino Summit and its subsidiaries contributed revenue of HK$19,699,000 and loss for the period of HK$733,000 to the Group for the period from 7 November 2011 to 31 December 2011.

If the acquisition had been completed on 1 January 2011, the Group's revenue and loss for the year ended 31 December 2011 would have been increased by HK$109,663,000 and HK$55,539,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, or was it intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had been acquired at the beginning of the prior year, the directors of the Company had calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

48. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) As set out in notes 24 and 39, 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 and the deeds of assignment and the deed of agreement dated 23 August 2012.

(b) As set out in note 47, the aggregate consideration for the CLBJ Acquisition was HK$60,143,000 (being the fair value of the ordinary shares issued determined with reference to the closing market price at the date of completion of the acquisition on 7 November 2011 of HK$0.103). The amounts were settled by the issue of 583,909,000 ordinary shares of the Company of which 371,720,000 and 212,189,000 ordinary shares were issued during the years ended 31 December 2011 and 2012, respectively.

(c) During the year ended 31 December 2011, convertible notes of the Company with aggregate principal amount of HK$324,000,000 (2012: nil) were converted into 2,700,000,000 (2012: nil) ordinary shares of the Company at a conversion price of HK$0.12 per share.

(d) During the year ended 31 December 2011, indemnification receivable of approximately HK$53,450,000 was offset against the amount due to Pioneer Blaze. Further details are set out in note 53(a).

49. LEASE COMMITMENTS

The Group as lessee

	2012 HK$'000	2011 HK$'000
Lease payments paid under operating leases in respect of:		
– land and buildings	17,908	7,774
– others	12,552	10,453
	30,460	18,227

49. LEASE COMMITMENTS *(Continued)*

The Group as lessee *(Continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	12,291	19,437
In the second to fifth years inclusive	18,157	41,305
Over five years	–	10,625
	30,448	71,367

Operating lease payments represent rentals payable by the Group for certain of its godowns, offices, car parks, production plant and motor vehicles. Leases are negotiated for original terms ranging from 1 to 5 years (2011: 1 to 23 years). Rentals are fixed over the terms of respective leases.

50. RETIREMENT BENEFIT OBLIGATIONS

(a) Long service payments

	2012 HK$'000	2011 HK$'000
Long service payments (note 41)	86	123

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

50. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

(a) Long service payments *(Continued)*

(i) Movement for the year:

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	123	150
Decrease in provision (included in staff costs under administrative expenses)	(37)	(27)
Balance at end of the year	86	123

(ii) The directors' assumptions used for accounting purposes at 31 December are as follows:

	2012 %	2011 %
Discount rate applied to long service payments obligations	8	8

(b) Retirement benefit scheme contributions

Hong Kong

The Group joins a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Starting from 1 June 2012, the cap is revised to monthly relevant income of HK$25,000. Contributions to the scheme vest immediately.

The PRC

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. All employees of the Group in the PRC are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement date. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

51. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties:

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

	Amounts due from related parties		Amounts due to related parties	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
SUN International Investment Holdings Limited ("SUN International") (note (i))	**–**	5,344	**–**	–
Ningbo Lingxin (note (ii))	**–**	4,789	**–**	–
Mr. Li (note (iii))	**–**	–	**–**	442
A shareholder of the Company (note (iii))	**–**	–	**–**	21,414
Directors' emoluments payable (included in other payables)	**–**	–	**571**	–
Former subsidiaries (note (iv))	**–**	–	**7,405**	–

Notes:

(i) Mr. Li, whose office as a director of the Company was vacated with effect from 8 November 2012, is a director of SUN International and indirectly holds 40% equity interest in SUN International. At 31 December 2011, except for an amount due from SUN International of approximately HK$2,195,000 (2012: nil) which was interest-bearing at 5.346% per annum, the remaining amount due from SUN International was unsecured, interest-free and had a credit period of 180 days. During the year ended 31 December 2012, the amounts due from SUN International have been fully impaired.

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

(iii) The amounts were consideration payable in connection with the CLBJ Acquisition. During the year ended 31 December 2012, the balances have been fully settled by issuance of the Company's shares (note 43(c)).

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

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

51. RELATED PARTY TRANSACTIONS *(Continued)*

(b) During the year ended 31 December 2012, interest income from SUN International amounted to approximately HK$58,000 (2011: HK$243,000). The interest income was charged according to the logistics services agreement entered into.

(c) During the year ended 31 December 2012, logistics services income from an associate amounted to approximately HK$13,922,000 (2011: HK$5,626,000). 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 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) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

	2012 HK$'000	2011 HK$'000
Short-term benefits	7,537	7,602
Post-employment benefits	302	144
	7,839	7,746

The remuneration of directors of the Company and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

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

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

53. 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 31 December 2012, the payment has been fully settled.

Mr. Li, a former shareholder of CLBJ, and Pioneer Blaze, a former beneficial shareholder of CLBJ, had agreed to indemnify CLBJ from Arbitration Compensation. Immediately 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 fully 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. After the offsetting, the amount due to Pioneer Blaze was in the amount of approximately HK$108,620,000 as at 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.

53. LITIGATIONS *(Continued)*

(b) As announced by the Company on 3 August 2012, CLBJ received a summons dated 2 August 2012 and a civil order dated 5 July 2012 issued by the People's Court of Chaoyang District of Beijing 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 loan and relevant interest in the amount of approximately RMB39,824,000 plus other expenses and interest (the "CITIC Auto Claim"). Details regarding the CITIC Auto Lawsuit were set out in the Company's interim report for the six months ended 30 June 2012, circular dated 22 October 2012 and announcements dated 3 August 2012, 30 November 2012 and 12 December 2012.

As at 27 December 2012, CLBJ has ceased to be a subsidiary of the Group as a result of the Winding-up. Based on the legal opinion obtained by the Company and due to the Winding-up, the directors of the Company consider that the CITIC Auto Claim would not be extended to the Retained Group.

54. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2012 and 2011 are as follows:

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up ordinary share/ registered capital	Percentage of equity attributable to the Company				Principal activities
				2012		2011		
				Direct %	Indirect %	Direct %	Indirect %	
Sino-Tech International (BVI) Limited	Corporation	British Virgin Islands	US$2	100	–	100	–	Investment holding
China LWM Property Limited	Corporation	Hong Kong	HK$1	–	100	–	100	Property investment
CLI (note a)	Corporation	Hong Kong	HK$500,000	–	–	–	100	Provision of logistics services
Fast Harvest Limited	Corporation	Hong Kong	HK$2	–	100	–	100	Provision of management service
LWM Management Limited	Corporation	Hong Kong	HK$1	–	100	–	100	Provision of management service
Semtech Electronics Limited	Corporation	Hong Kong	HK$1,000,000	–	100	–	100	Trademark holding

54. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up ordinary share/ registered capital	Percentage of equity attributable to the Company				Principal activities
				2012		2011		
				Direct %	Indirect %	Direct %	Indirect %	
Semtech RFID Limited	Corporation	Hong Kong	HK$100	–	100	–	100	Trading of radio-frequency identification tag and antenna
Super Victory Enterprises Limited	Corporation	Hong Kong	HK$2	–	100	–	100	Manufacture and trading of electronic and electrical parts and components
東莞泰豐射頻識別有限公司 (note b)	Corporation	PRC	US$1,500,000	–	100	–	100	Manufacture and trading of radio-frequency identification tag and antenna
CLBJ (notes a, b)	Corporation	PRC	RMB100,000,000	–	–	–	90	Provision of logistics services
中信物流飛馳有限公司 ("Fritz") (notes a, c)	Corporation	PRC	RMB37,000,000	–	–	–	46.8*	Provision of logistics services

* The Company indirectly holds 90% equity interest in CLBJ which directly holds 52% equity interest in Fritz.

Notes:

(a) Loss of control due to voluntary winding-up (note 45).

(b) The companies are foreign enterprises in the PRC.

(c) The company is a domestic enterprise in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of both years or at any time during the years.

Summary of Financial Information

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years prepared on the bases set out in the note below is as follows. This summary does not form part of the audited consolidated financial statements.

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			(Restated)
Turnover	**572,451**	742,279	785,121	538,855	588,294
(Loss) profit before taxation	**(80,710)**	(176,157)	(527,826)	(762,474)	26,416
Net (loss) profit attributable to owners of the Company	**(339,412)**	(934,159)	(532,180)	(779,991)	6,399

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
Total assets	**662,123**	1,186,880	1,913,677	2,065,547	553,408
Total liabilities	**(565,509)**	(720,952)	(876,696)	(765,747)	(135,521)
Non-controlling interests	**–**	(50,953)	–	–	–
	96,614	414,975	1,036,981	1,299,800	417,887

Note: The results of the Group for the years ended 31 December 2012, 31 December 2011, 31 December 2010, 31 December 2009 and 31 December 2008 have been extracted from the audited consolidated financial statements for the years ended 31 December 2012, 31 December 2011, 31 December 2010, 31 December 2009 and 31 December 2008 and restated upon the adoption of the new or amended HKFRSs as appropriate.

Particulars of Major Property

Investment property classified as held for sale

Location	**Use**	**Category of lease**	**Group's interest**
House No. 8, Severn 8, No. 8 Severn Road, Hong Kong	Residential	Medium-term	100%