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 2013

*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. Wang Zhaofeng

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

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

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

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

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

COMPANY SECRETARY
Mr. Chan Chun Fat

AUDITOR
SHINEWING (HK) CPA Limited

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Hamilton, HM 11
Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Codan Services Limited
Clarendon House
2 Church Street
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Hamilton HM DX
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
Level 22, Hopewell Centre
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Hong Kong

SHARE LISTING
The Stock Exchange of Hong Kong Limited
Stock Code: 724

WEBSITE
www.irasia.com/listco/hk/sinotech

Results Overview and Financial Highlights

RESULTS OVERVIEW

During the year ended 31 December 2013 (the "Reporting Period"), Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") reported a turnover from continuing operation of approximately HK$660.4 million, representing an increase of 15.4% compared with approximately HK$572.5 million for the year ended 31 December 2012 (the "Corresponding Period").

Loss from continuing operation for the Reporting Period was reduced to approximately HK$23.6 million from approximately HK$80.7 million in the Corresponding Period. Loss from discontinued operations for the Reporting Period was approximately HK$1.1 million as compared with approximately HK$270.3 million in the Corresponding Period. Loss from continuing operation and discontinued operations for the Reporting Period was approximately HK$24.7 million as compared with approximately HK$351.0 million in the Corresponding Period. The loss for the Reporting Period was mainly attributable to the imputed interest expenses on convertible notes.

The gain on loss of control over subsidiaries, the imputed interest expenses on convertible notes, the provision for financial guarantees, the gain on deconsolidation of subsidiaries, impairment loss on amounts due from former subsidiaries, other intangible assets, goodwill and property, plant and equipment and the loss arising on change in fair value of investment property (collectively, the "Non-cash Items") arose as a result of accounting treatment under the provisions of the applicable accounting standards and were of non-cash nature. Before the Non-cash Items, the Group made a loss of approximately HK$15.4 million in the Reporting Period, as compared with a loss of approximately HK$49.1 million in the Corresponding Period.

Results Overview and Financial Highlights

FINANCIAL HIGHLIGHTS

	2013 HK$'000	2012 HK$'000
Turnover from continuing operation	**660,388**	572,451
Gross profit from continuing operation	**44,464**	4,785
Loss for the year from continuing operation	**(23,581)**	(80,702)
Loss for the year from discontinued operations	**(1,094)**	(270,283)
Loss for the year	**(24,675)**	(350,985)
Gain on loss of control over subsidiaries	**11,002**	–
Imputed interest expenses on convertible notes	**(20,021)**	(18,607)
Provision for financial guarantees	**(260)**	(8,300)
Gain on deconsolidation of subsidiaries	**–**	136,065
Impairment loss on amounts due from former subsidiaries	**–**	(178,906)
Impairment loss on other intangible assets	**–**	(141,816)
Impairment loss on goodwill	**–**	(39,191)
Loss arising on change in fair value of investment property	**–**	(36,000)
Impairment loss on property, plant and equipment	**–**	(15,098)
Loss for the year before gain on loss of control over subsidiaries, imputed interest expenses on convertible notes, provision for financial guarantees, gain on deconsolidation of subsidiaries, impairment loss on amounts due from former subsidiaries, other intangible assets, goodwill, property, plant and equipment and loss arising on change in fair value of investment property	**(15,396)**	(49,132)

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

The electronic products segment (the continuing operation of the Group) reported an increase of 15.4% in turnover to approximately HK$660.4 million in the Reporting Period from approximately HK$572.5 million in the Corresponding Period. The performance of the electronic products segment has improved steadily since the second half of 2012 mainly due to focusing on products with higher margins and continuously tightening of costs. However, the continuous shortage of labour, the inflation of material cost and the appreciation of Renminbi ("RMB") has encumbered the improvement of the performance of the electronic products segment during the Reporting Period. In the second half of 2013, turnover of the electronic products segment increased slightly by 5.4% as compared with the corresponding period in 2012. During the Reporting Period, the electronic products segment reported a profit of approximately HK$8.9 million in terms of contribution to segment results as compared with a loss of approximately HK$31.0 million in the Corresponding Period.

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

As at the date of this report, the winding-up of CITIC Logistics (International) Company Limited ("CLI") is still in process. The financial results and position of CLI together with its subsidiaries and associate (collectively referred to as the "CLI Group"), however, were deconsolidated from those of the Group on 27 December 2012. The discontinuation of the loss making business of the CLI Group in the logistics services segment thereby improved the overall performance of the Group during the Reporting Period. Subsequent to the Reporting Period, as informed by the liquidators of CLI, the entire 90% equity interest in CITIC Logistics Company Limited ("CLBJ") was being disposed of. The Group received from CLI the first interim dividend of approximately HK$6.7 million in respect of the admitted claims against CLI by the Company and Top Victory Industries Limited (a wholly-owned subsidiary of the Company), both as the creditors of CLI. At this stage, the Company is unable to ascertain the extent of recovery from CLI for the remaining balance given that CLI is still in the process of winding up.

The Company completed the disposal of the investment property and fully repaid the secured bank borrowings (as set out in note 29 to the consolidated financial statements) during the Reporting Period. As reported in the 2012 Annual Report, the Company had provided a corporate guarantee in relation to other borrowing of HK$8 million (the "Principal") made by an independent third party to CLI. During the Reporting Period, the Company fully repaid the Principal together with the interest accrued in the total amount of approximately HK$8.6 million on behalf of CLI (the "Repayment"). The liquidators of CLI have admitted the Company's claims including the Principal together with the interest accrued up to 27 December 2012. Therefore, the Company may partially recover the Repayment through dividends payout by CLI.

Management Discussion and Analysis

On 19 November 2009, the Company issued unsecured convertible notes for the partial settlement of the consideration for the acquisition of CLI. As at 31 December 2013, the principal amount of convertible notes remained outstanding was HK$302.4 million and the maturity date is 15 November 2014. In addition, the Group incurred a loss of approximately HK$24.7 million for the Reporting Period and does not forecast that it can fully redeem the outstanding convertible notes by their maturity date. Subsequent to the Reporting Period, however, the convertible notes holder has indicated that he would not request the Company to redeem the convertible notes prior to 31 December 2014 causing the Company insolvent. Accordingly, the consolidated financial statements for the Reporting Period have been prepared on a going concern basis (as set out in note 1 to the consolidated financial statements). The Company has engaged a financial adviser to negotiate with the convertible notes holder, and the directors of the Company are of the opinion that the Group should be able to maintain itself as a going concern in the coming year. At the same time, the Company is also considering fund raising possibilities.

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 2013, the Group had bank balances and cash of approximately HK$80.5 million (2012: HK$41.9 million). The Group's current ratio (measured as total current assets to total current liabilities) was 1.0 time (2012: 2.0 times).

As at 31 December 2012, the secured bank borrowings (which was included in liabilities directly associated with non-current assets classified as held for sale) of the Group amounted to HK$143.6 million (2013: nil), which were secured by the investment property (which was included in non-current assets classified as held for sale) of the Group with carrying value of HK$279.0 million (2013: nil) and the corporate guarantee provided by the Company. The secured bank borrowings were fully repaid and the corporate guarantee was fully discharged upon full settlement by the Company during the Reporting Period. As at 31 December 2012, the gearing ratio, which is calculated by total interest bearing borrowings to total equity, was 148.6% (2013: nil).

As at 31 December 2013, the Company had zero coupon convertible notes due on 15 November 2014 in the aggregate principal amount of HK$302.4 million (2012: HK$302.4 million) with an initial conversion price of HK$0.12 per conversion share. Subsequent to the Reporting Period, the convertible notes holder has indicated that he would not request the Company to redeem the convertible notes prior to 31 December 2014 causing the Company insolvent.

As at 31 December 2013, the Group had capital expenditure commitments amounted to approximately HK$4.0 million (2012: nil).

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

As set out in note 39 to the consolidated financial statements, on 31 May 2013, a directly wholly-owned subsidiary, Sino-Tech International (B.V.I.) Limited ("ST-BVI") as vendor, and a third party independent of the Company and its connected persons as purchaser (the "Purchaser") entered into a sales and purchase agreement, pursuant to which, ST-BVI disposed of 50% equity interest in Semtech International (B.V.I.) Limited and its wholly-owned subsidiary, Semtech Electronics Limited (collectively referred to as the "Semtech BVI Group") at a cash consideration of HK$5.0 million (the "Semtech Disposal"). Semtech BVI Group is the registered owner of various trademarks. As all the relevant percentage ratios in respect of the entering into the sales and purchase agreement are less than 5%, this disposal is exempted from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The completion of the Semtech Disposal took place on 31 May 2013, after which the Group retained 50% control over the Semtech BVI Group, and the Semtech BVI Group became joint ventures of the Group.

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

CHARGE ON GROUP'S ASSETS

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

FOREIGN EXCHANGE EXPOSURES

The Group mainly earns revenue and incurs costs in Hong Kong dollars, US dollars and RMB. The management is aware of the possible exchange rate exposure resulted from the fluctuation of RMB 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.

Management Discussion and Analysis

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 47 to the consolidated financial statements.

LITIGATIONS

Details of the litigations of the Group are set out in note 48 to the consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2013, the Group had 1,804 (2012: 2,200) full time employees in Hong Kong and the People's Republic of China (the "PRC"). Total staff costs (including directors' remuneration) for the Reporting Period amounted to approximately HK$30.5 million (2012: HK$57.5 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.

Management Discussion and Analysis

FUTURE OUTLOOK

Global activity and world trade picked up in the second half of 2013. According to the International Monetary Fund (the "IMF"), activity is expected to improve further in 2014-15, largely on account of recovery in the advanced economies. The IMF, in the world economic outlook update in January 2014, projected that global growth would strengthen to 3.7% in 2014 from 3.0% in 2013. However, the IMF also highlighted continued fragilities and cautioned that downside risks remained including prolonged sluggish growth, very low inflation or even deflation in advanced economies, and increased financial market and capital flow volatility in emerging market economies.

According to a report dated 21 February 2014 in the Financial Times (the "FT"), the Organisation for Economic Co-operation and Development (the "OECD") warned that the world risked slipping into an era of slower growth and high unemployment unless governments pushed ahead with sweeping structural reforms. The slow pace of reform over the past two years may leave emerging economies vulnerable to the tightening of monetary policy as the financial crisis abates, exposing some European countries to persistently high unemployment.

Growth in China rebounded strongly in the second half of 2013 due largely to acceleration in investment, according to the IMF. This surge is expected to be temporary, in part because of policy measures aimed at slowing credit growth and raising the cost of capital. The IMF forecast that China's growth would moderate slightly to 7.5% in 2014 from 7.7% in 2013. According to FT reports dated 20 January 2014, most analysts expected China's growth to decelerate this year to its slowest pace in more than two decades. China's economy is becoming more vulnerable on several fronts including the rapid increase of debt, much of which is channeled through a loosely regulated shadow banking system.

In the world economic outlook update in January 2014, the IMF pointed out that the recent rebound in China highlighted that investment remained the key driver in growth dynamics. More progress is required on rebalancing domestic demand from investment to consumption to effectively contain the risks to growth and financial stability from overinvestment. According to a report dated 20 January 2014 in the South China Morning Post, a continued reliance on investment poses a dilemma for the leadership, which must keep growth steady while cutting the excess industrial capacity blamed for a worsening pollution problem. It must also try to reduce the financial risks stemming from massive local government borrowing. Analysts reckon that the need for economic reform is becoming more urgent, but it will come at a cost of slower growth.

Management Discussion and Analysis

Against this backdrop, the operating environment for manufacturers in China is likely to remain challenging, coupled with continuous increase in labour and material costs, appreciation of RMB as well as keen competition in the market. The Group believes that increasing social insurance protection and wages rate and continuous shortage of labour will impose a great pressure on the operating costs for the electronic products segment, as labour cost constitutes a significant part of the overall production cost. Nowadays, manufacturers in China are facing difficulties in reducing costs.

Nonetheless, the Group will continue to closely observe various factors and adopt appropriate measures to minimise any potential threat to the Group's electronics products business in this tough operating environment by streamlining the operation, outsourcing the production process, continuing its conservative and stringent cost controls and improving the operating efficiency and productivity. The Group believes that consumer demand for automobiles, smart phones, portable computers and tablet PCs will be the drivers of growth for the global semiconductor industry in the near future. Going forward, the Group will continue to capture opportunities by widening customer base and developing new products to meet the increase in demand from the potential growth in the global semiconductor industry and to further strengthening relationship with major customers.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Lam Yat Keung, aged 56, was appointed as the President of the Company on 13 December 2003 and stepped down on 2 March 2010 but remained as an executive director of the Company. 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. Lim Chuan Yang, aged 45, 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 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.

Mr. Huang Hanshui, aged 43, 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. Mr. Huang has over 18 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.

Mr. Wang Zhaofeng, aged 44, was appointed as an executive director of the Company on 10 July 2013. Mr. Wang holds master and doctor of law degrees from Renmin University of China. He went to University of Cambridge in England and Cornell University in the United States in 2004 and 2009, respectively as a visiting scholar. Mr. Wang has about 15 years of experience working in the judiciary department and as a practicing lawyer in the PRC. He is currently a legal counsel to several major media and large enterprises. Mr. Wang was a deputy director for the Public Prosecution Department of the People's Procuratorate of Haidian District in Beijing from 1998 to 2002, and a deputy director for the Legal Policy Research Office of the People's Procuratorate of Beijing from 2002 to 2006. Currently, Mr. Wang is a partner of and a director-general of the Litigation Arbitration Committee of Beijing DeHeng Law Offices. Mr. Wang is also a member of the Industry Development Committee of All China Lawyers Association in the PRC, a deputy director of the Lawyer Business Research Centre of Renmin University of China and a part-time professor of China University of Political Science and Law.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chi Fai, aged 57, 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.

Ms. Liu Yanfang, aged 49, 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 1989 to 1992, she worked in the All-China Women's Federation. From 1987 to 1989, she worked as an attorney for a law firm in Hebei province.

Professor Ma Hongwei, aged 47, 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 dean of the College of Science and Engineering, deputy director of Public Safety Research Centre, vice director of the Institute of Nuclear Science and Engineering Technology of Jinan University and a member of the Guiding Committee on Education of Mechanics of Ministry of Education.

Report of the Directors

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 2013 are set out in note 49 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 34 and 35 of this report.

The Board does not recommend the payment of final dividend for the Reporting Period (2012: 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 146 of this report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 37 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 34 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 41 to the consolidated financial statements, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company did not have any reserves available for distribution, as computed in accordance with the Companies Act 1981 of Bermuda (2012: nil). The Company's share premium account of HK$2,210,494,000 (2012: HK$2,210,494,000) 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 of the Company (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 6.84% and 23.71%, 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 14.28% and 60.57%, 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.

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. Lam Yat Keung	
Mr. Lim Chuan Yang	
Mr. Huang Hanshui	
Mr. Wang Zhaofeng	(appointed on 10 July 2013)
Mr. Lam Hung Kit	(resigned on 1 July 2013)

Independent non-executive Directors

Mr. Ho Chi Fai	
Ms. Liu Yanfang	
Professor Ma Hongwei	
Mr. Chau Pong Chi	(resigned on 1 August 2013)
Ms. Ching Betty Siu Kuen	(resigned on 1 August 2013)

Pursuant to Bye-law 86, Mr. Wang Zhaofeng will hold office until the forthcoming annual general meeting of the Company (the "2014 AGM") and, being eligible, will offer himself for re-election. In accordance with Bye-law 87, Mr. Lam Yat Keung and Mr. Lim Chuan Yang will retire at the 2014 AGM and, being eligible, will offer themselves for re-election at the 2014 AGM.

None of the Directors being proposed for re-election at the 2014 AGM 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 Listing Rules.

Report of the Directors

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 Reporting Period.

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 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated 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 Yat Keung *(note 1)*	Interest of family	612,400,000	5.12%
Mr. Lim Chuan Yang *(note 2)*	Beneficial owner and interest of controlled corporation	574,065,409	4.80%
Mr. Huang Hanshui *(note 3)*	Beneficial owner	86,827,895	0.73%

Notes:

1. Mr. Lam Yat Keung, an executive Director, is deemed interested in 612,400,000 shares owned by Smart Number Investments Limited ("Smart Number"). Smart Number is incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Hung Kit (the brother-in-law of Mr. Lam Yat Keung).

2. Mr. 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 which 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.

3. 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 2013, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to 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 paragraphs headed "Directors' interests in shares and underlying shares" above and "Share option scheme" as set out in note 38 to the consolidated financial statements, at no time during the Reporting Period 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and chief executives of the Company, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

Name of substantial shareholders	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Li Weimin *(note 1)*	Beneficial owner	4,262,985,823	35.62%
Smart Number *(note 2)*	Beneficial owner	612,400,000	5.12%
Ms. Lam Pik Wah	Interest of controlled corporation	612,400,000	5.12%
Mr. Lam Hung Kit	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 (the brother-in-law of Mr. Lam Yat Keung).

Save as disclosed above, the Company had not been notified any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2013.

SHARE OPTION SCHEME

At the Company's annual general meeting held on 8 June 2012, the Company terminated the old share option scheme and adopted a new share option scheme. Details are set out in note 38 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 or independent shareholders' approval requirements under the Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 20 to 30 of this report.

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 2014 AGM.

On behalf of the Board

Lam Yat Keung
President

Hong Kong, 28 March 2014

Corporate Governance Report

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") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules except for the following deviation:

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

Moreover, under the Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. For the Company's annual general meeting held on 10 June 2013 ("2013 AGM"), two independent non-executive Directors were unable to attend due to their other business engagements.

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 three independent non-executive Directors. All Directors are expressly identified in all corporate communications. The biographical details of each Director are set out on pages 11 to 12 of this report. As at the date of this report, the Board has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee (together the "Board Committees"). The Special Committee was dissolved by the Board during the Reporting Period after completing its missions.

Corporate Governance Report

The attendance of the Directors at the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings, Investment Committee meeting and the 2013 AGM is given below and their respective responsibilities are discussed later in this report.

		No. of meetings attended/held					
		2013 AGM	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Investment Committee meeting
Executive Directors							
Mr. Lam Yat Keung		1/1	12/12	N/A	N/A	N/A	N/A
Mr. Lim Chuan Yang		1/1	12/12	N/A	N/A	2/2	N/A
Mr. Huang Hanshui		1/1	11/12	N/A	N/A	N/A	N/A
Mr. Wang Zhaofeng	(appointed on 10 July 2013)	N/A	3/5	N/A	N/A	N/A	N/A
Mr. Lam Hung Kit	(resigned on 1 July 2013)	1/1	5/5	N/A	N/A	N/A	N/A
Independent non-executive Directors							
Mr. Ho Chi Fai		1/1	11/12	2/2	2/2	N/A	1/1
Ms. Liu Yanfang		0/1	9/12	1/2	2/2	2/2	note
Professor Ma Hongwei		1/1	10/12	2/2	2/2	2/2	1/1
Mr. Chau Pong Chi	(resigned on 1 August 2013)	1/1	7/7	1/1	2/2	2/2	1/1
Ms. Ching Betty Siu Kuen	(resigned on 1 August 2013)	0/1	7/7	1/1	2/2	2/2	1/1

Note: Ms. Liu Yanfang was appointed as a member of the Investment Committee after holding of the Investment Committee meeting.

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.

Corporate Governance Report

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 Reporting Period, 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 2013.

DIRECTORS' TRAINING

The Director newly appointed during the Reporting Period has received induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his 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. Wang Zhaofeng	✓	✓
Independent Non-Executive Directors		
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 the Directors.

Corporate Governance Report

PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President of the Company 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 of the Company 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.

The roles of the President and the Chief Executive Officer of the Company 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

On 1 August 2013, Mr. Chau Pong Chi, an independent non-executive Director, resigned as the Chairman of the Nomination Committee. The Nomination Committee currently comprises three members namely, Ms. Liu Yanfang (the Chairman of Nomination Committee), Professor Ma Hongwei, the independent non-executive Directors and Mr. Lim Chuan Yang, the executive Director.

In December 2013, the Board re-adopted the terms of reference of the Nomination Committee in light of the amendments to the Listing Rules. The Board also approved the adoption of the board diversity policy. Such policy aims to achieve diversity on the Board in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates on the Board will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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 Nomination Committee will also review the board diversity policy to ensure its effectiveness. 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 2013 AGM and make recommendations to the Board for consideration of appointment of a new Director. The terms of reference of the Nomination Committee are consistent with the terms set out in the relevant section of the CG Code.

Corporate Governance Report

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 (the Chairman of Remuneration Committee), 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, two 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 (the Chairman of Audit Committee), Ms. Liu Yanfang and Professor Ma Hongwei.

The primary duties of the Audit Committee include to make 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.

Corporate Governance Report

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 31 to 33.

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	651
Non-audit services:	
– Taxation services	90
– 2013 interim review	280
– Others	27
	397
	1,048

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 confirmed that they had complied with the required standards as set out in the Model Code for the Reporting Period.

Corporate Governance Report

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 Investment Committee, revised the terms of reference of the Nomination Committee and approved the adoption of the board diversity policy. 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.

GOING CONCERN BASIS

Under the Code Provision C.1.3 of the CG Code, the Directors are responsible for preparing the accounts, and where the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, this should be disclosed and discussed.

The convertible notes with outstanding principal amount of HK$302.4 million will be matured on 15 November 2014. In addition, the Group incurred a loss of approximately HK$24.7 million for the Reporting Period. However, subsequent to the Reporting Period, the convertible notes holder has indicated that he would not request the Company to redeem the convertible notes prior to 31 December 2014 causing the Company insolvent. Therefore, the Directors are of the opinion that the Group should be able to maintain itself as a going concern in the coming year. Accordingly, the consolidated financial statements for the Reporting Period have been prepared on a going concern basis. Details are set out in the paragraphs headed "Business and Financial Review" in Management Discussion and Analysis on page 5 of this report and in note 1 to the consolidated financial statements.

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. The Directors will continuously review and improve the effectiveness of the internal control system of the Group.

During the Reporting Period, the Company has engaged an independent professional firm, ZHONGHUI ANDA Risk Services Limited, to review the internal control system of the Group for the financial year ended 31 December 2013. 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 Group's financial reporting system and internal control procedures were not adequate to meet its obligations under the Listing Rules.

COMPANY SECRETARY

Under the Code Provision F.1.1 of the CG Code, the Company engages Mr. Chan Chun Fat ("Mr. Chan") as its Company Secretary. Mr. Chan is a practicing solicitor and in performing his duties as the company secretary of the Company, he reports to the Board and maintains contacts with Mr. Huang Hanshui, an executive Director, in relation to the corporate secretarial matters of the Company.

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.

Corporate Governance Report

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 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.

Independent Auditor's Report

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 34 to 145, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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. 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.

Independent Auditor's Report

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the financial position and our qualified audit opinion on the financial performance, cash flows and relevant disclosures.

BASIS FOR QUALIFIED OPINION ON THE CORRESPONDING FIGURES OF FINANCIAL PERFORMANCE, 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 represented to us that neither they nor the liquidators of CLI were able to obtain the complete set of accounting books and records of 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 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 statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the relevant disclosures to the consolidated financial statements for the year ended 31 December 2012 are free from material misstatements.

Independent Auditor's Report

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 and related disclosure notes to the consolidated financial statements for the year ended 31 December 2012. We issued a disclaimer of opinion on the financial performance, cash flows and relevant disclosures to the consolidated financial statements for the year ended 31 December 2012 in our report dated 28 March 2013. Our opinion on the current year's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and relevant disclosures to the consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

QUALIFIED OPINION ON THE FINANCIAL PERFORMANCE, CASH FLOWS AND RELEVANT DISCLOSURES

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion on the corresponding figures of financial performance, cash flows and relevant disclosures paragraphs, the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows give a true and fair view of the Group's loss and cash flows for the year ended 31 December 2013 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.

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 2013 in accordance with Hong Kong Financial Reporting Standards and has been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong
28 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operation			
Turnover	7	660,388	572,451
Cost of sales		(615,924)	(567,666)
Gross profit		44,464	4,785
Other income	8	1,241	1,000
Gain on loss of control over subsidiaries	39	11,002	–
Distribution costs		(12,343)	(12,877)
Administrative expenses		(46,933)	(45,790)
Share of results of joint ventures		(7)	–
Provision for financial guarantees	32	(260)	(8,300)
Other expenses		(723)	(914)
Finance costs	9	(20,022)	(18,614)
Loss before taxation		(23,581)	(80,710)
Taxation	10	–	8
Loss for the year from continuing operation	11	(23,581)	(80,702)
Discontinued operations			
Loss for the year from discontinued operations	13	(1,094)	(270,283)
Loss for the year		(24,675)	(350,985)
Loss for the year attributable to owners of the Company:			
– from continuing operation		(23,581)	(80,702)
– from discontinued operations		(1,094)	(258,710)
Loss for the year attributable to owners of the Company		(24,675)	(339,412)
Loss attributable to non-controlling interests:			
– from continuing operation		–	–
– from discontinued operations		–	(11,573)
Loss for the year attributable to non-controlling interests		–	(11,573)
		(24,675)	(350,985)
Loss per share	15		
From continuing and discontinued operations			
Basic and diluted (HK cents)		(0.21)	(2.84)
From continuing operation			
Basic and diluted (HK cents)		(0.20)	(0.68)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(24,675)**	(350,985)
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations		
Exchange (loss) gain arising during the year	**(29)**	1,979
Reclassification adjustments for the cumulative gain included in profit or loss upon deconsolidation of foreign operations	**–**	(3,437)
	(29)	(1,458)
Share of other comprehensive income of an associate	**–**	74
Other comprehensive expense for the year	**(29)**	(1,384)
Total comprehensive expenses for the year	**(24,704)**	(352,369)
Total comprehensive expenses attributable to:		
Owners of the Company	**(24,704)**	(340,217)
Non-controlling interests	**–**	(12,152)
	(24,704)	(352,369)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	18	46,299	55,660
Interests in joint ventures	23	5,991	–
Deposits paid for acquisition of property, plant and equipment		470	–
		52,760	55,660
Current assets			
Inventories	24	136,779	100,661
Trade and bills receivables	25	194,157	180,875
Prepayments, deposits and other receivables	26	1,917	2,662
Amount due from a joint venture	46a	10	–
Amounts due from former subsidiaries	46a	–	–
Tax recoverable		2,515	960
Deposits in other financial institutions	27	446	446
Bank balances and cash	28	80,462	41,859
		416,286	327,463
Non-current asset classified as held for sale	29	–	279,000
		416,286	606,463
Current liabilities			
Trade and bills payables	30	94,358	99,974
Other payables and accruals	31	11,830	42,655
Amounts due to former subsidiaries	46a	7,379	7,405
Financial guarantee liabilities	32	–	8,300
Obligations under finance leases	33	5	5
Convertible notes	34	283,459	–
		397,031	158,339
Liabilities associated with non-current asset classified as held for sale	29	–	143,637
		397,031	301,976
Net current assets		19,255	304,487
Total assets less current liabilities		72,015	360,147

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Obligations under finance leases	33	**4**	9
Convertible notes	34	**–**	263,438
Employee benefits	35	**101**	86
		105	263,533
Net assets		**71,910**	96,614
Capital and reserves			
Share capital	37	**119,667**	119,667
Reserves		**(47,757)**	(23,053)
Total equity		**71,910**	96,614

The consolidated financial statements on pages 34 to 145 were approved and authorised for issue by the board of directors on 28 March 2014 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 2013

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus (note) HK$'000	Share-based compensation reserve HK$'000	Foreign exchange reserve HK$'000	Convertible notes reserve (note 34) HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	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 38)	–	–	–	(17,994)	–	–	17,994	–	–	–
Acquisition of subsidiaries (note 37)	2,122	19,734	–	–	–	–	–	21,856	–	21,856
Derecognised upon deconsolidation of subsidiaries (note 40)	–	–	–	–	–	–	–	–	(38,801)	(38,801)
At 31 December 2012 and 1 January 2013	119,667	2,210,494	5,800	43,722	(26)	92,707	(2,375,750)	96,614	–	96,614
Loss for the year	–	–	–	–	–	–	(24,675)	(24,675)	–	(24,675)
Other comprehensive expense for the year										
Exchange differences arising on translation of foreign operations										
Exchange loss arising during the year	–	–	–	–	(29)	–	–	(29)	–	(29)
Total comprehensive expenses for the year	–	–	–	–	(29)	–	(24,675)	(24,704)	–	(24,704)
At 31 December 2013	119,667	2,210,494	5,800	43,722	(55)	92,707	(2,400,425)	71,910	–	71,910

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 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss before taxation from continuing operation	(23,581)	(80,710)
Loss before taxation from discontinued operations	(1,094)	(305,737)
	(24,675)	(386,447)
Adjustments for:		
Bank interest income	(12)	(231)
Interest income from a related company	–	(58)
Interest income from advances	–	(293)
Interest income on finance leases	–	(6)
Investment income	–	(135)
Finance costs	20,387	20,496
Depreciation of property, plant and equipment	26,085	46,049
Gain on loss of control over subsidiaries	(11,002)	–
Loss arising on change in fair value of investment property	–	36,000
Impairment loss on property, plant and equipment	–	15,098
Impairment loss on goodwill	–	39,191
Impairment loss on other intangible assets	–	141,816
Share of results of an associate	–	(705)
Share of results of joint ventures	7	–
Impairment loss on trade receivables	8	5,689
Reversal of impairment loss on trade receivables	(318)	–
Impairment loss on other receivables	–	242
Recovery of trade receivables previously written off	(37)	–
Net gain on disposals of property, plant and equipment	(869)	(670)
Write-offs of property, plant and equipment	756	730
Gain on disposal of an investment property	(76)	–
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	260	8,300
Operating cash flows before working capital changes	10,514	(25,619)
Increase in inventories	(36,118)	(2,402)
Increase in trade and bills receivables	(12,935)	(32,671)
Decrease in prepayments, deposits and other receivables	745	46
(Decrease) increase in trade and bills payables	(5,631)	38,367
Decrease in other payables and accruals	(2,321)	(10,834)
Decrease in provision for financial guarantees	(8,560)	–
Increase (decrease) in non-current employee benefits	15	(37)
Cash used in operations	(54,291)	(33,150)
Purchase of tax reserve certificate	(1,555)	–
NET CASH USED IN OPERATING ACTIVITIES	(55,846)	(33,150)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Balance of proceed received for disposal of an investment property		**250,576**	–
Cash inflow arising on loss of control over subsidiaries	39	**5,000**	–
Proceeds from disposals of property, plant and equipment		**1,390**	11,365
Bank interest received		**12**	231
Purchase of property, plant and equipment		**(17,924)**	(863)
Deposits paid for acquisition of property, plant and equipment		**(470)**	–
Advance to joint ventures		**(10)**	–
Dividend received from an associate		**–**	993
Deposit received from disposal of an investment property		**–**	28,500
Repayment of finance lease receivables		**–**	74
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)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	30,061
Net cash outflow from deconsolidation of subsidiaries	40	**–**	(10,042)
NET CASH FROM INVESTING ACTIVITIES		**238,574**	34,789
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(143,564)**	(9,515)
Interest paid on bank borrowings		**(438)**	(1,597)
Repayment of obligations under finance leases		**(5)**	(248)
Interest paid on obligations under finance leases		**(1)**	(7)
Repayment to a former subsidiary		**(26)**	–
New other borrowing raised		**–**	8,000
NET CASH USED IN FINANCING ACTIVITIES		**(144,034)**	(3,367)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**38,694**	(1,728)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**41,859**	43,533
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(91)**	54
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**80,462**	41,859

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 49.

Going concern basis

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

The Group incurred a loss attributable to the owners of the Company of approximately HK$24,675,000 for the year ended 31 December 2013. In addition, the convertible notes with outstanding principal amount of HK$302,400,000 will be matured on 15 November 2014. The directors of the Company are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 December 2013 on a going concern basis by taking into consideration of the following.

Subsequent to the reporting period, the Company has received a letter of undertaking from the sole holder of convertible notes who indicated that he would not request the Company to redeem the convertible notes prior to 31 December 2014 causing the Company insolvent. The directors of the Company consider that the Group will be able to finance its future working capital and to fulfill its financial obligations as and when they fall due. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Subsidiaries deconsolidated

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.

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, 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 period from 1 January 2012 to 27 December 2012 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:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Subsidiaries deconsolidated *(Continued)*

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

* Before the date of deconsolidation, the Company indirectly held 90% equity interest in CLBJ which directly held 52% equity interest in Fritz.

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 period from 1 January 2012 to 27 December 2012 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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Subsidiaries deconsolidated *(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 follows:

	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 from 1 January 2012 to 27 December 2012 of the CLBJ Group includes the followings:

	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 ended 27 December 2012, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Subsidiaries deconsolidated *(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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Subsidiaries deconsolidated *(Continued)*

Details of aggregate financial effect of the deconsolidation of subsidiaries are stated in notes 13a and 40 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 Hong Kong Financial Reporting Standard 5.

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 Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time.

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

Except as described below, the application of the new and revised 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements as the Group does not have offsetting arrangement.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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)*

The impact of the application of these standards is set out below:

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee; (b) it is exposed, or has rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

Impact of the application of HKFRS 11

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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)*

Impact of the application of HKFRS 11 (Continued)

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

As further set out in note 39, during the current year, the Group disposes of 50% equity interest in its subsidiaries which then become joint ventures under HKFRS 11. The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. When the Group's share of losses of joint ventures equals or exceeds its interests in those joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investments in the joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of those joint ventures.

Impact of the application of HKFRS 12

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 application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Details are set out in note 23.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

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

The Group has applied the amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "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. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

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 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

New and revised HKFRSs issued but not yet effective *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[4] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010 – 2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Annual Improvements to HKFRSs 2010 – 2012 Cycle *(Continued)*

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010 – 2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The Annual Improvements to HKFRSs 2011 – 2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Annual Improvements to HKFRSs 2011 – 2013 Cycle *(Continued)*

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011 – 2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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 are 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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.

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities *(Continued)*

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 directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the employees are not required to make contributions to the Group's defined benefit plans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Amendments to HKAS 32 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 directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of the subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiaries.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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 HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 HKFRS.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

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 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 statement of profit or loss. 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 is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures 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, interests in an associate or joint ventures are 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 or joint ventures. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

An interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the interest in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. 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 of disposal) 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 or joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the interests in the associate or joint venture that are not related to the Group.

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 asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. 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 (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 disposal or retirement 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 lease term.

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 recognised at the rates of exchanges prevailing on the dates on 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange difference on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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.

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 partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 "loss before taxation" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years 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 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries and an associate, and interests in joint arrangements, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

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 acquired in a business combination 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and 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 instruments, other than those financial assets classified as at FVTPL, of which interest income is excluded from net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been 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 stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

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 trade and bills receivables, deposits and other receivables, amounts due from a joint venture and former subsidiaries, deposits in other financial institutions and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or 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.

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 120 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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 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.

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 Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, amounts due to former subsidiaries, obligations under finance leases and convertible notes are subsequently measured at amortised cost, using the effective interest method.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible notes

The component parts of the convertible notes issued by the Group are classified separately as financial liabilities and equity 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.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate of similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial 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 terms of a debt instrument.

Financial guarantee contract issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of 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 policies.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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.

The amount recognised as a provision is 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

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, 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, if any, is recognised in profit or loss, such that the cumulative 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 of disposal 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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.

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks are set out in note 1.

Income taxes

In respect of the Hong Kong Profits Tax under enquiries by the Hong Kong Inland Revenue Department (the "IRD") as mentioned in note 10, management judgement was required in assessing the likelihood of success in substantiating the claim for allowances. As the enquiry is at fact-finding stage, no additional provision for Hong Kong Profits Tax for prior years was considered necessary. The provision of income taxes is reviewed on an ongoing basis. As at 31 December 2013, the aggregate amount of protective profits tax assessment issued by the IRD to the Group amounting to approximately HK$1,555,000 (2012: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Critical judgements in applying accounting policies *(Continued)*

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 taxation on changes in fair value of investment property 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 48). Based on the legal opinion obtained by the Company and due to the Winding-up, the directors of the Company considered that these potential or existing legal claims would not be extended to the Retained Group. Subsequent to the reporting period, as informed by the liquidators of CLI, the entire 90% equity interest in CLBJ was being disposed of.

Key sources of estimation uncertainty

The followings 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Key sources of estimation uncertainty *(Continued)*

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. During the year ended 31 December 2012, impairment loss on goodwill of approximately HK$39,191,000 (2013: nil) has been recognised. 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. Details of the impairment test are disclosed in note 20.

Estimated useful life 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$26,085,000 (2012: HK$46,049,000) 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. During the year ended 31 December 2013, impairment loss on trade and other receivables and reversal of impairment loss on trade receivables of approximately HK$8,000 (2012: HK$5,931,000) and HK$318,000 (2012: nil), respectively, have been recognised. As at 31 December 2013, the carrying amount of trade and other receivables was approximately HK$196,074,000 (2012: HK$183,537,000), net of accumulated impairment loss of approximately HK$19,830,000 (2012: HK$20,140,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Key sources of estimation uncertainty *(Continued)*

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 years ended 31 December 2013 and 2012, no allowance of inventories has been recognised.

Impairment on property, plant and equipment

During the year ended 31 December 2012, impairment loss of HK$15,098,000 (2013: nil) in respect of property, plant and equipment was recognised in the consolidated statement of profit or loss. 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.

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

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. 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 at 31 December 2012.

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 statement of profit or loss. During the year ended 31 December 2012, impairment loss on other intangible assets of approximately HK$141,816,000 has been recognised. As at 27 December 2012, the carrying amount of other intangible assets of nil (net of accumulated impairment loss HK$419,855,000) has been derecognised upon deconsolidation of subsidiaries. Details of the impairment test are disclosed in note 21.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Key sources of estimation uncertainty *(Continued)*

Impairment on amounts due from former subsidiaries

During the year ended 31 December 2012, impairment loss of approximately HK$178,906,000 (2013: nil) in respect of amounts due from former subsidiaries was recognised in the consolidated statement of profit or loss. 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 2013, the carrying amount of amounts due from former subsidiaries is nil (2012: nil) (net of accumulated impairment loss of approximately HK$178,906,000 (2012: HK$178,906,000)).

Income taxes

As at 31 December 2013, deferred tax assets in relation to unused tax losses of approximately HK$278,000 (2012: HK$16,312,000) 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$117,667,000 (2012: HK$108,175,000) 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.

Fair value measurements and valuation processes

In accordance with the Group's accounting policies as set out in note 3, the fair value of interests in the former subsidiaries at the date of control is lost is regarded as the cost on initial recognition of interests in joint ventures. The management of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurements and valuation processes (Continued)

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value. Note 39 provides detailed information about the valuation techniques, inputs and key assumptions under Level 3 fair value measurements used in the determination of the fair value.

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, amounts due to former subsidiaries, obligations under finance leases, convertible notes, 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 flow from the normal business operation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	275,908	224,043
Financial liabilities		
Other financial liabilities at amortised cost	395,591	382,008
Financial guarantee liabilities	–	8,300
	395,591	390,308

(b) Financial risk management objective and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, amounts due from a joint venture and former subsidiaries, deposits in other financial institutions, bank balances and cash, trade and bills payables, other payables and accruals, amounts due to former subsidiaries, financial guarantee liabilities, obligations under finance leases and convertible notes. 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 2013, 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 recognised financial assets as stated in the consolidated statement of financial position.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk (Continued)

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.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 65% (2012: 66%) of the total trade receivable as at 31 December 2013.

The Group has concentration of credit risk as 9% (2012: 9%) and 29% (2012: 30%) of the trade receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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 74% (2012: 60%) of the Group's sales and 92% (2012: 90%) 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.

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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**59,295**	67,425	**27,078**	11,762
US$	**511**	76	**–**	–
RMB	**119,039**	97,865	**66,491**	87,300

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% (2012: 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% (2012: 5%) change in foreign currency rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 weaken 5% (2012: 5%) against the relevant foreign currencies. For a 5% (2012: 5%) strengthening 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	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit or loss	**1,345**	2,323	**21**	3	**2,194**	441

Interest rate risk

As at 31 December 2013 and 2012, the Group is exposed to cash flow interest rate risk in relation to variable-rate deposits in other financial institutions (note 27) and bank balances (note 28).

As at 31 December 2013 and 2012, the Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (note 33).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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.

The Group is exposed to liquidity risk as at 31 December 2013 as the Company's convertible notes with outstanding principal amount of HK$302,400,000 will be matured on 15 November 2014. As detailed in note 1, the directors of the Company are of the opinion that the Company will be able to finance its future working capital and to fulfill its financial obligations when they fall due.

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. The maturity dates for 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	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2013					
Non-derivative financial liabilities					
Trade and bills payables	94,358	–	–	94,358	94,358
Other payables and accruals	10,386	–	–	10,386	10,386
Amounts due to former subsidiaries	7,379	–	–	7,379	7,379
Obligations under finance leases	5	5	–	10	9
Convertible notes	302,400	–	–	302,400	283,459
	414,528	5	–	414,533	395,591

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

	Repayable on demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 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

Notes:

(i) The amounts included above for financial guarantee liabilities as at 31 December 2012 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.

(ii) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of current portion of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements not materially different from their fair values due to their immediate or short-term maturities. The fair value of non-current portion of finance lease equals its carrying amount, as the impact of discounting is not significant.

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. Two operations (logistics services and property investment) were discontinued in the year ended 31 December 2012. Following the discontinuance of those operations, the Group is principally engaged in the manufacture 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
For the year ended 31 December								
Sales to external customers	**660,388**	572,451	**–**	80,275	**–**	–	**660,388**	652,726
Other income	**1,226**	1,686	**–**	138	**76**	–	**1,302**	1,824
Total segment revenue	**661,614**	574,137	**–**	80,413	**76**	–	**661,690**	654,550
Contribution to segment results	**8,877**	(30,967)	**–**	(23,699)	**(1,094)**	(38,693)	**7,783**	(93,359)
Gain on loss of control over subsidiaries	**11,002**	–	**–**	–	**–**	–	**11,002**	–
Gain on deconsolidation of subsidiaries	**–**	–	**–**	136,065	**–**	–	**–**	136,065
Impairment loss on goodwill	**–**	–	**–**	(39,191)	**–**	–	**–**	(39,191)
Impairment loss on other intangible assets	**–**	–	**–**	(141,816)	**–**	–	**–**	(141,816)
Impairment loss on amounts due from former subsidiaries	**–**	–	**–**	(178,906)	**–**	–	**–**	(178,906)
Impairment loss on trade receivables	**(8)**	(515)	**–**	(5,174)	**–**	–	**(8)**	(5,689)
Impairment loss on other receivables	**–**	–	**–**	(228)	**–**	(14)	**–**	(242)
Impairment loss on property, plant and equipment	**–**	(178)	**–**	(14,920)	**–**	–	**–**	(15,098)
Segment results	**19,871**	(31,660)	**–**	(267,869)	**(1,094)**	(38,707)	**18,777**	(338,236)
Unallocated corporate income							**15**	767
Share of results of an associate							**–**	705
Share of results of joint ventures							**(7)**	–
Unallocated corporate expenses							**(23,438)**	(30,779)
Finance costs							**(20,022)**	(18,904)
Loss before taxation							**(24,675)**	(386,447)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit (loss) 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 of results of joint ventures and 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.

(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 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000
Hong Kong	**175,395**	178,056	**7,257**	2,118
Elsewhere in the PRC	**364,685**	275,942	**45,503**	52,996
Asia Pacific	**89,147**	93,319	**–**	546
Latin America	**2,937**	4,882	**–**	–
Others	**28,224**	20,252	**–**	–
Total	**660,388**	572,451	**52,760**	55,660

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

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For the year ended 31 December 2013

7. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(c) Information about major customers

During the years ended 31 December 2013 and 2012, none of the Group's individual customer contributed more than 10% to the total turnover of the Group.

8. OTHER INCOME

	2013	2012
	HK$'000	HK$'000
Continuing operation		
Bank interest income	**12**	3
Interest income from advances	**–**	197
Net gain on disposals of property, plant and equipment	**869**	729
Recovery of trade receivables previously written off	**37**	–
Reversal of impairment loss on trade receivables	**318**	–
Others	**5**	71
	1,241	1,000

9. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Continuing operation		
Borrowing costs on obligations under finance leases	**1**	7
Imputed interest expenses on convertible notes (note 34)	**20,021**	18,607
	20,022	18,614

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

10. TAXATION

Tax credit for the year represents:

	2013 HK$'000	2012 HK$'000
Continuing operation		
Deferred tax (note 36)	–	8

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. The tax rate of Hong Kong Profits Tax is 16.5% (2012:16.5%).

During the year ended 31 December 2013, 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 (the "Tax Enquiries"). As the assessment for the year of assessment 2006/07 would be statutorily time-barred by 31 March 2013, a protective assessment of approximately HK$1,555,000 was raised by the IRD on 7 March 2013. The subsidiary lodged an objection against the assessment and the IRD had held over the payment of the profits tax and an equal amount of tax reserve certificate was purchased and recorded as tax recoverable as at 31 December 2013.

Subsequent to the reporting period, in respect of the Tax Enquiries, as the assessment for the year of assessment 2007/08 would be statutorily time-barred by 31 March 2014, a protective assessment of approximately HK$2,395,000 was raised by the IRD on 18 March 2014. The 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

10. TAXATION *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Continuing operation		
Loss before taxation	(23,581)	(80,710)
Tax calculated at the domestic income tax rate of 16.5% (2012: 16.5%)	(3,891)	(13,317)
Tax effect of different tax rates	(199)	(187)
Tax effect of expenses that are not deductible in determining taxable profit	4,472	5,753
Tax effect of income that is not taxable in determining taxable profit	(2,103)	(99)
Tax effect of other temporary differences not recognised	1,191	–
Tax effect of share of loss of joint ventures	1	–
Tax effect of tax losses not recognised	2,731	7,842
Utilisation of tax losses previously not recognised	(2,202)	–
Taxation	–	(8)

Details of deferred tax are set out in note 36.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

11. LOSS FOR THE YEAR FROM CONTINUING OPERATION

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

	2013 HK$'000	2012 HK$'000
Cost of inventories recognised as expenses	615,924	567,666
Staff costs (note 12)	30,464	25,339
Depreciation of property, plant and equipment		
– owned assets	26,076	34,012
– assets held under finance leases	5	178
Auditor's remuneration	641	880
Impairment loss on property, plant and equipment (included in other expenses)	–	178
Write-offs of property, plant and equipment (included in other expenses)	723	709
Net exchange loss	1,294	230
Impairment loss on trade receivables	8	515

12. STAFF COSTS

	2013 HK$'000	2012 HK$'000
Continuing operation		
Staff costs (including directors' emoluments) comprise:		
Salaries, allowances and benefits	29,128	24,158
Retirement benefits scheme contributions	1,122	837
Provision for other employee benefits and long service payments	214	344
	30,464	25,339

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

13. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

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

	2013 HK$'000	2012 HK$'000
Discontinued logistics services operation (note a)	–	(231,576)
Discontinued property investment operation (note b)	(1,094)	(38,707)
	(1,094)	(270,283)

(a) Discontinued logistics services operation

Upon commencement of the winding-up of CLI as mentioned in note 1, the Company lost its control over CLI, and accordingly CLI ceased to be a subsidiary of the Company. As the CLI Group carried out all of the Group's logistics services operation, this business segment is presented as part of discontinued operations. As at the date of this report, the winding-up of CLI is still in process. Details of the winding-up of CLI are set out in the Company's annual report for the year ended 31 December 2012.

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

	2013 HK$'000	2012 HK$'000
Loss of logistics services operation for the year	–	(188,735)
Gain on deconsolidation of subsidiaries (note 40)	–	136,065
Impairment loss on amounts due from former subsidiaries	–	(178,906)
	–	(231,576)

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For the year ended 31 December 2013

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 year ended 31 December 2013 and the period from 1 January 2012 to 27 December 2012 included in the consolidated statement of profit or loss are set out as follows:

	Notes	Year ended 31 December 2013 HK$'000	Period ended 27 December 2012 HK$'000
Turnover		–	80,275
Cost of sales		–	(78,591)
Other income		–	642
Distribution costs		–	(4,840)
Administrative expenses		–	(26,142)
Impairment loss on goodwill	20	–	(39,191)
Impairment loss on other intangible assets	21	–	(141,816)
Share of results of an associate	22	–	705
Other expenses		–	(14,941)
Finance costs		–	(290)
Loss before taxation		–	(224,189)
Taxation		–	35,454
Loss for the year/period		–	(188,735)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

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

Loss from discontinued logistics services operation for the year ended 31 December 2013 and the period from 1 January 2012 to 27 December 2012 includes the following:

	Year ended 31 December 2013 HK$'000	Period ended 27 December 2012 HK$'000
Auditor's remuneration	–	90
Borrowing cost on other borrowing	–	290
Staff costs	–	32,190
Cost of services provided*	–	78,591
Severance payment	–	2,964
Depreciation of property, plant and equipment	–	11,845
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
Provision for early termination of a tenancy agreement	–	6,474
Write-offs of property, plant and equipment (included in other expenses)	–	21
Bank interest income	–	(228)
Interest income from a related company	–	(58)
Interest income from advances	–	(96)
Interest income on finance leases	–	(6)
Investment income	–	(135)
Net exchange gain	–	(46)

* For the period ended 27 December 2012, cost of services provided included staff costs and severance payment of approximately HK$12,089,000 (year ended 31 December 2013: nil) and HK$2,912,000 (year ended 31 December 2013: nil) respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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:

	Year ended 31 December 2013 HK$'000	Period ended 27 December 2012 HK$'000
Operating activities	–	(16,722)
Investing activities	–	5,586
Financing activities	–	(1,225)
	–	(12,361)

The carrying amounts of the assets and liabilities of the CLI Group at the date of deconsolidation are disclosed in note 40.

(b) Discontinued property investment operation

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

Notes to the Consolidated Financial Statements

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

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

The results of the discontinued property investment operation for the years ended 31 December 2013 and 2012 included in the consolidated statement of profit or loss are set out as follows:

	Note	2013 HK$'000	2012 HK$'000
Administrative expenses		**(805)**	(1,115)
Gain on disposal of an investment property (note i)		**76**	–
Loss arising on change in fair value of investment property	19	**–**	(36,000)
Finance costs (note ii)		**(365)**	(1,592)
Loss before taxation		**(1,094)**	(38,707)
Taxation		**–**	–
Loss for the year		**(1,094)**	(38,707)

Notes:

(i) The amount for the year ended 31 December 2013 represented the gain on disposal of an investment property classified as held for sale (note 29) as at 31 December 2012 after netting off the transaction costs.

(ii) The amounts for the years ended 31 December 2013 and 2012 represented the borrowing costs on bank borrowings classified as liabilities associated with non-current asset classified as held for sale (note 29) as at 31 December 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

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

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

	2013 HK$'000	2012 HK$'000
Auditor's remuneration	10	20
Depreciation of property, plant and equipment	4	14
Borrowing costs on bank borrowings not wholly repayable within five years	365	1,592
Write-off of property, plant and equipment	33	–
Impairment loss on other receivables	–	14
Direct operating expenses arising from investment property that did not generate rental income	178	678

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

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

	2013 HK$'000	2012 HK$'000
Operating activities	(533)	(1,494)
Investing activities	250,576	28,500
Financing activities	(144,002)	(11,112)
	106,041	15,894

The investment property has been classified and accounted for at 31 December 2012 as non-current asset held for sale (note 29).

14. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: 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$24,675,000 (2012: HK$339,412,000) and the weighted average number of 11,966,699,000 (2012: 11,955,104,000) ordinary shares in issue during the reporting period.

From continuing operation

The calculation of the basic and diluted loss per share from continuing operation attributable to the owners of the Company is based on the loss for the year from continuing operation of approximately HK$23,581,000 (2012: HK$80,702,000) and the weighted average number of 11,966,699,000 (2012: 11,955,104,000) ordinary shares in issue during the reporting period.

From discontinued operations

Basic and diluted loss per share for the discontinued operations attributable to the owners of the Company is HK0.01 cents per share (2012: HK2.16 cents per share), based on the loss for the year from the discontinued operations of approximately HK$1,094,000 (2012: HK$258,710,000) and the denominators detailed above for both basic and diluted loss per share.

For the years ended 31 December 2013 and 2012, the diluted loss per share is the same as the basic loss per share.

The computation of diluted loss per share for the years ended 31 December 2013 and 2012 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price for shares. The computation of diluted loss per share for the years ended 31 December 2013 and 2012 did not assume the conversion of the Company's outstanding convertible notes as the conversion of convertible notes would result in a decrease in loss per share.

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16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the ten (2012: twelve) directors and the chief executive were as follows:

For the year ended 31 December 2013

Name of director	Fees HK$'000	Salaries, allowances and benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors				
Lam Yat Keung	600	4,715	297	5,612
Lim Chuan Yang (note a)	600	2,449	220	3,269
Huang Hanshui	600	2,067	180	2,847
Lam Hung Kit (note b)	597	524	8	1,129
Wang Zhaofeng (note c)	285	–	8	293
Independent Non-Executive Directors				
Ho Chi Fai	90	–	–	90
Liu Yanfang	90	–	–	90
Ma Hongwei	90	–	–	90
Chau Pong Chi (note d)	53	–	–	53
Ching Betty Siu Kuen (note d)	53	–	–	53
	3,058	9,755	713	13,526

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

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 e)	372	–	–	372
Lam Yat Keung	267	1,656	14	1,937
Lim Chuan Yang (note a)	600	2,031	162	2,793
Huang Hanshui	600	1,454	125	2,179
Lam Hung Kit (note b)	50	155	1	206
Non-Executive Directors				
Liu Renhuai (note f)	–	–	–	–
Xin Luo Lin (note g)	66	–	–	66
Independent Non-Executive Directors				
Ho Chi Fai	90	–	–	90
Liu Yanfang	90	–	–	90
Ma Hongwei	90	–	–	90
Chau Pong Chi (note d)	8	–	–	8
Ching Betty Siu Kuen (note d)	8	–	–	8
	2,241	5,296	302	7,839

Notes:

(a) Mr. Lim Chuan Yang was appointed as director on 1 January 2012. He was also the Chief Executive Officer of the Company for the years ended 31 December 2013 and 2012. His emoluments disclosed above included those for services rendered by him as the Chief Executive Officer.

(b) Appointed on 1 December 2012 and resigned on 1 July 2013.

(c) Appointed on 10 July 2013.

(d) Appointed on 1 December 2012 and resigned on 1 August 2013.

(e) Office as a director of the Company was vacated on 8 November 2012.

(f) Resigned on 1 January 2012.

(g) Retired on 8 June 2012.

No director and chief executive waived or agreed to waive any emoluments for the years ended 31 December 2013 and 2012.

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17. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2012: three) were directors of the Company whose emoluments are disclosed in note 16. The emoluments of the remaining two (2012: two) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits	2,572	2,203
Retirement benefits scheme contributions	30	28
	2,602	2,231

Their emoluments were within the following band:

	Number of employees	
	2013	2012
HK$1,000,001 to HK$1,500,000	2	2

During the years ended 31 December 2013 and 2012, 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.

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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 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 40)	(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 and 1 January 2013	–	166,845	75,968	–	242,813
Exchange realignment	–	221	–	–	221
Additions	–	17,059	880	–	17,939
Write-offs	–	–	(878)	–	(878)
Disposals	–	(2,344)	(3,174)	–	(5,518)
At 31 December 2013	**–**	**181,781**	**72,796**	**–**	**254,577**
DEPRECIATION AND IMPAIRMENT					
At 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 40)	(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 and 1 January 2013	–	140,559	46,594	–	187,153
Exchange realignment	–	159	–	–	159
Depreciation provided for the year	–	9,306	16,779	–	26,085
Eliminated on write-offs	–	–	(122)	–	(122)
Eliminated on disposals	–	(1,826)	(3,171)	–	(4,997)
At 31 December 2013	**–**	**148,198**	**60,080**	**–**	**208,278**
CARRYING VALUES					
At 31 December 2013	**–**	**33,583**	**12,716**	**–**	**46,299**
At 31 December 2012	–	26,286	29,374	–	55,660

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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 grouped under leasehold improvements and others includes an amount of approximately HK$8,000 (2012: HK$13,000) 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.

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For the year ended 31 December 2013

19. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 January 2012	315,000
Loss arising on change in fair value	(36,000)
Reclassified as non-current asset held for sale (note 29)	(279,000)
At 31 December 2012 and 2013	–

The fair value of the Group's investment property before the reclassification as non-current 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 investment property was situated in Hong Kong and held under medium-term lease.

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20. GOODWILL

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

	CLI	**CLBJ**	**Total**
	HK$'000	HK$'000	HK$'000
COST			
At 1 January 2012	1,536,866	38,826	1,575,692
Exchange realignment	–	365	365
Derecognised on deconsolidation of subsidiaries (note 40)	(1,536,866)	(39,191)	(1,576,057)
At 31 December 2012 and 2013	–	–	–
IMPAIRMENT			
At 1 January 2012	1,536,866	–	1,536,866
Impairment loss recognised	–	39,191	39,191
Eliminated on deconsolidation of subsidiaries (note 40)	(1,536,866)	(39,191)	(1,576,057)
At 31 December 2012 and 2013	–	–	–
CARRYING VALUES			
At 31 December 2012 and 2013	–	–	–

CLBJ

Before the Winding-up in 2012, 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 48) 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.

21. OTHER INTANGIBLE ASSETS

	Service agreements		
	Shipping logistics business	Local transportation logistics business	Total
	HK$'000	HK$'000	HK$'000
COST			
At 1 January 2012	490,000	140,505	630,505
Exchange realignment	–	1,311	1,311
Derecognised upon deconsolidation of subsidiaries (note 40)	(490,000)	(141,816)	(631,816)
At 31 December 2012 and 2013	–	–	–
AMORTISATION AND IMPAIRMENT			
At 1 January 2012	490,000	–	490,000
Impairment loss recognised	–	141,816	141,816
Eliminated on deconsolidation of subsidiaries (note 40)	(490,000)	(141,816)	(631,816)
At 31 December 2012 and 2013	–	–	–
CARRYING VALUES			
At 31 December 2012 and 2013	–	–	–

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For the year ended 31 December 2013

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 (Asia-Pacific) Surveyors Limited ("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.

Before the Winding-up in 2012, 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 Automobile Company Limited 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

22. INTEREST IN AN ASSOCIATE

In prior year, the Group held 40% * interest in the following associate:

Name of associate	Place of operation/ incorporation and form of business structure	Class of share held	Principal activities
Ningbo Lingxin	The PRC/Registered	Paid-up capital	Provision of logistics services

* Held indirectly through CLBJ

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

The summarised financial information in respect of the Group's associate, which is accounted for using the equity method on the consolidated financial statements for the period from 1 January 2012 to 27 December 2012, is set out below:

	Period ended 27 December 2012 HK$'000
Revenue	47,649
Profit for the period	1,763
Other comprehensive income for the period	186
Total comprehensive income for the period	1,949
Group's share of post-acquisition profits and other comprehensive income for the period	779

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23. INTERESTS IN JOINT VENTURES

	2013 HK$'000	2012 HK$'000
Cost of unlisted investment in joint ventures	5,998	–
Share of post-acquisition losses and other comprehensive expenses	(7)	–
	5,991	–

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

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

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

Since the disposal of 50% equity interest in Semtech BVI as set out in note 39, the Group's remaining 50% equity interest in Semtech BVI and its wholly-owned subsidiary, Semtech Electronics (collectively referred to as "Semtech BVI Group") have been classified as joint ventures on the basis that certain significant decisions about the financial and operating activities of the Semtech BVI Group require the unanimous consent of both the Group and the other shareholder.

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23. INTERESTS IN JOINT VENTURES *(Continued)*

Semtech BVI is the only directly held joint venture of the Group. Summarised financial information of Semtech BVI Group is set out below. The summarised financial information below represents amounts shown in Semtech BVI's consolidated management accounts prepared in accordance with HKFRSs.

	As at 31 December 2013 HK$'000
Current assets	1
Current liabilities	(20)
The above amounts of assets and liabilities include the following:	
Current financial liabilities (excluding trade and other payables and provisions)	(10)

	Period from 1 June 2013 to 31 December 2013 HK$'000
Loss and total comprehensive expenses for the period	14

	As at 31 December 2013 HK$'000
Net liabilities of Semtech BVI Group	19
Proportion of the Group's ownership interest in Semtech BVI Group	50%
Effect of fair value adjustments at recognition as joint ventures	6,000
Carrying amount of the Group's interest in Semtech BVI Group	5,991

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24. INVENTORIES

	2013	2012
	HK$'000	HK$'000
Raw materials	53,706	47,424
Work-in-progress	2,568	2,229
Finished goods	80,505	51,008
	136,779	100,661

25. TRADE AND BILLS RECEIVABLES

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

	2013	2012
	HK$'000	HK$'000
Trade and bills receivables	194,388	181,416
Less: Accumulated impairment	(231)	(541)
	194,157	180,875

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

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25. 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 periods:

	2013 HK$'000	2012 HK$'000
Current	163,605	164,970
Overdue:		
– within 3 months	27,067	10,591
– 4-6 months	2,494	4,375
– 7-12 months	991	939
	30,552	15,905
	194,157	180,875

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.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately HK$30,552,000 (2012: HK$15,905,000) 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.

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25. TRADE AND BILLS RECEIVABLES *(Continued)*

Movement in the impairment on trade receivables:

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	541	1,938
Impairment loss recognised	8	5,689
Impairment loss reversed	(318)	–
Amount written off as uncollectible	–	(1,868)
Eliminated on deconsolidation of subsidiaries	–	(5,218)
Balance at end of the year	231	541

Included in the impairment on trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$231,000 (2012: HK$541,000) since the management considered the prolonged outstanding balances were uncollectible.

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:

	2013 '000	2012 '000
HK$	47,076	53,152
RMB	93,801	79,583

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Prepayments, deposits and other receivables	21,516	22,261
Less: Accumulated impairment	(19,599)	(19,599)
	1,917	2,662

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

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

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	19,599	19,585
Impairment loss recognised	–	242
Eliminated on deconsolidation of subsidiaries	–	(228)
Balance at end of the year	19,599	19,599

Included in the impairment on prepayments, deposits and other receivables are individually impaired other receivables with an aggregate balance of approximately HK$19,599,000 (2012: HK$19,599,000) since the management considered the prolonged outstanding balances were uncollectible.

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26. 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:

	2013	2012
	'000	'000
HK$	**8**	1,006
RMB	**–**	148

27. DEPOSITS IN OTHER FINANCIAL INSTITUTIONS

The amounts at 31 December 2013 and 2012 represented deposits placed with securities brokers for trading securities and carried interest at prevailing market rates.

28. BANK BALANCES AND CASH

At 31 December 2013 and 2012, cash at bank carried 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:

	2013	2012
	'000	'000
HK$	**12,201**	13,342
RMB	**26**	164

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29. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH NON-CURRENT 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 and the completion of the Property Disposal took place on 3 April 2013.

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

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

Notes:

(a) The investment property classified as held for sale at 31 December 2012 was pledged to secure bank borrowings (note b) of the Group.

(b) At 31 December 2012, the bank borrowings denominated in HK$ were secured by the Group's investment property classified as held for sale with carrying value of approximately HK$279,000,000 and corporate guarantee provided by the Company. The corporate guarantee was released upon the repayment of the secured bank borrowings during the year ended 31 December 2013.

The bank borrowings at 31 December 2012 comprised of mortgage loan of approximately HK$135,850,000 and term loan of approximately HK$7,714,000. Mortgage loan carried interest at 0.75% per annum over 1-month Hong Kong Interbank Offered Rate ("HIBOR") while term loan carried interest at 0.9% per annum over 1-month HIBOR.

Based on the facility agreement, the mortgage loan and the term loan were repaid by 240 and 84 monthly instalments respectively. 209 and 54 instalments of the mortgage loan and the term loan remained outstanding as at 31 December 2012 respectively. The facility agreement contained a repayment on demand clause, pursuant to which the bank could at its discretion demand repayment of the entire outstanding balance from the Group in the absence of any defaults.

Notes to the Consolidated Financial Statements

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30. TRADE AND BILLS PAYABLES

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

	2013 HK$'000	2012 HK$'000
Current	85,958	67,723
Overdue:		
– within 3 months	7,493	31,922
– 4-6 months	800	116
– 7-12 months	–	213
– over 12 months	107	–
	94,358	99,974

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:

	2013 '000	2012 '000
HK$	26,095	9,096
RMB	48,804	68,885

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31. OTHER PAYABLES AND ACCRUALS

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:

	2013	2012
	'000	'000
HK$	983	2,798
RMB	3,605	2,260

32. 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 considered it was probable that a claim would be made against the Company pursuant to the guarantee. Accordingly, the Company made provision of approximately HK$8,300,000 for the principal and the interest accrued as at 31 December 2012. The other borrowing carried interest at 12% per annum and repayable within one year.

During the year ended 31 December 2013, a total additional provision of approximately HK$260,000 was made. These provisions for financial guarantees were discharged upon full settlement by the Company on 17 April 2013.

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33. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its office equipment under finance leases for its business operation. The lease term is 5 years (2012: 5 years). Interest rate underlying obligations under finance leases was fixed at respective contract dates and was 2.5% (2012: 2.5%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases repayable:				
Within one year	**5**	5	**5**	5
In the second to fifth years inclusive	**5**	10	**4**	9
	10	15	**9**	14
Less: Future finance charges	**(1)**	(1)	**N/A**	N/A
Present value of lease obligations	**9**	14	**9**	14
Less: Amounts due within one year shown under current liabilities			**(5)**	(5)
Amounts due after one year			**4**	9

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

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34. 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 2013 and 2012 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

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.

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34. CONVERTIBLE NOTES *(Continued)*

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.

As at 31 December 2013 and 2012, 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.

Movements of the liability and equity components of the convertible notes for the years ended 31 December 2013 and 2012 are set out below.

	Liability component	**Equity component**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2012	244,831	92,707	337,538
Imputed interest charged to the consolidated statement of profit or loss (note 9)	18,607	–	18,607
At 31 December 2012 and 1 January 2013	263,438	92,707	356,145
Imputed interest charged to the consolidated statement of profit or loss (note 9)	20,021	–	20,021
At 31 December 2013	283,459	92,707	376,166

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.

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35. EMPLOYEE BENEFITS

	2013 HK$'000	2012 HK$'000
Liabilities for employee benefit comprise:		
Annual leave payments accrual	**1,443**	2,833
Long service payments obligation (note 45)	**101**	86
	1,544	2,919
Categorised as:		
Due within one year (included in other payables and accruals)	**1,443**	2,833
Due after one year (shown under non-current liabilities)	**101**	86
	1,544	2,919

36. DEFERRED TAX

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the years ended 31 December 2013 and 2012:

	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 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 40)	(6,070)	–	10,914	–	4,844
At 31 December 2012 and 1 January 2013	2,780	(90)	(2,690)	–	–
(Credited) charged to profit or loss (note 10)	(2,735)	90	2,645	–	–
At 31 December 2013	45	–	(45)	–	–

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36. 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:

	2013	2012
	HK$'000	HK$'000
Deferred tax liabilities	**45**	2,780
Deferred tax assets	**(45)**	(2,780)
	–	–

As at 31 December 2013, the Group has unused estimated tax losses of approximately HK$110,670,000 (2012: HK$123,903,000). A deferred tax asset has been recognised in respect of such tax losses of approximately HK$278,000 (2012: HK$16,312,000). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$110,392,000 (2012: HK$107,591,000) due to the unpredictability of future profits streams.

Included in unrecognised tax losses are losses of approximately HK$4,950,000 (2012: HK$2,622,000) 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 2013, the Group has deductible temporary differences of approximately HK$7,275,000 (2012: HK$584,000). No deferred tax asset is recognised in respect of these deductible temporary differences as at 31 December 2013 due to the unpredictability of future profits streams. As at 31 December 2012, a deferred tax asset is recognised in respect of such deductible temporary differences of approximately HK$542,000.

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37. SHARE CAPITAL

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

Note:

On 20 January 2012, 212,189,000 ordinary shares of HK$0.01 each were issued at HK$0.103 per share, the closing market price at the date of completion of the acquisition of entire interest in Sino Summit Investments Limited and 30% equity interest in CLBJ (collectively referred to as 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.

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38. 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.

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38. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

38. 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.

At 31 December 2013, 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 (2012: 1,078,793,000) representing 9% (2012: 9%) of the shares of the Company in issue at that date. No option was granted under the 2012 Share Option Scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

38. SHARE OPTION SCHEME *(Continued)*

The following tables disclosed the movements of the Company's share options for the years ended 31 December 2013 and 2012:

Participants	Date of grant	Exercise price per share	Number of share options Outstanding at 1 January 2012 '000	Cancelled/ lapsed during the year '000	Outstanding at 31 December 2012 and 2013 '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

The options outstanding at 31 December 2013 had an exercisable period of 10 years from the date of grant and a weighted average remaining contractual life of 7.8 years (2012: 8.8 years).

39. LOSS OF CONTROL OVER SUBSIDIARIES

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. LOSS OF CONTROL OVER SUBSIDIARIES *(Continued)*

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

	As at 31 May 2013 HK$'000
Analysis of net liability over which control was lost:	
Accrued expenses and net liability disposed of	4

Gain on loss of control over subsidiaries:

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

Cash inflow arising from loss of control over subsidiaries:

	HK$'000
Cash consideration received	5,000

Note:

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

– assumed discount rate of 19.28%; and

– assumed revenue growth rate of 10% for the first three years and revenue growth rate of 3% for periods beyond three years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

40. 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

Notes to the Consolidated Financial Statements

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
Non-current asset		
Investments in subsidiaries	46,400	46,400
Current assets		
Prepayments, deposits and other receivables	187	915
Amounts due from subsidiaries (note a)	182,642	76,868
Amounts due from former subsidiaries (note a)	–	–
Bank balances and cash	42,768	12,695
	225,597	90,478
Current liabilities		
Other payables and accruals	2,843	11,878
Convertible notes	283,459	–
	286,302	11,878
Net current (liabilities) assets	(60,705)	78,600
Total assets less current liabilities	(14,305)	125,000
Non-current liability		
Convertible notes	–	263,438
Net liabilities	(14,305)	(138,438)
Capital and reserves		
Share capital	119,667	119,667
Reserves (note b)	(133,972)	(258,105)
Capital deficiency	(14,305)	(138,438)

41. 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 HK$'000	Contributed surplus HK$'000	Share-based compensation reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 January 2013	2,210,494	62,315	43,722	92,707	(2,667,343)	(258,105)
Profit and total comprehensive income for the year	–	–	–	–	124,133	124,133
At 31 December 2013	**2,210,494**	**62,315**	**43,722**	**92,707**	**(2,543,210)**	**(133,972)**

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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 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.

(b) During the year ended 31 December 2012, 212,189,000 ordinary shares of HK$0.01 each were issued at HK$0.103 per share as settlement of the remaining consideration for the CLBJ Acquisition. Details of which are set out in note 37.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

43. LEASE COMMITMENTS

The Group as lessee

	2013 HK$'000	2012 HK$'000
Lease payments paid under operating leases in respect of:		
– land and buildings	8,920	17,908
– others	10,727	12,552
	19,647	30,460

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:

	2013 HK$'000	2012 HK$'000
Within one year	13,897	12,291
In the second to fifth years inclusive	12,179	18,157
	26,076	30,448

Operating lease payments represent rentals payable by the Group for certain of its godowns, offices, production plant and motor vehicles. Leases are negotiated for original terms ranging from 2 to 5 years (2012: 1 to 5 years). Rentals are fixed over the terms of respective leases.

44. CAPITAL COMMITMENTS

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,997	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

45. RETIREMENT BENEFIT OBLIGATIONS

(a) Long service payments obligation

	2013 HK$'000	2012 HK$'000
Long service payments obligation (note 35)	101	86

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.

(i) Movement for the year:

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	86	123
Increase (decrease) in obligation (included in staff costs under administrative expenses)	15	(37)
Balance at end of the year	101	86

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

45. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

(a) Long service payments obligation *(Continued)*

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

	2013	2012
	%	%
Discount rate applied to long service payments obligation	**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 employee contributes 5% of the relevant payroll to the MPF Scheme while the Group contributes from 5% to 10% of the relevant payroll to the MPF Scheme. For those making contributions to the scheme at 5% of the employees' relevant income, it is 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

46. 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
A joint venture (note i)	**10**	–	**–**	–
Directors' emoluments payable (included in other payables)	**–**	–	**910**	571
Former subsidiaries (note ii)	**–**	–	**7,379**	7,405

Notes:

(i) The amount due from a joint venture was unsecured, interest-free and repayable on demand. The balance was denominated in HK$ other than the functional currency of the respective reporting entity of the Group.

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

	2013	2012
	HK$'000	HK$'000
Amounts due from former subsidiaries	**178,906**	178,906
Less: Accumulated impairment	**(178,906)**	(178,906)
	–	–

Movement in the impairment on amounts due from former subsidiaries:

	2013	2012
	HK$'000	HK$'000
Balance at beginning of the year	**178,906**	–
Impairment loss recognised	**–**	178,906
Balance at end of the year	**178,906**	178,906

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

46. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes: *(Continued)*

(ii) *(Continued)*

During the year ended 31 December 2012, 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 (2013: nil) were made during the year ended 31 December 2012. Subsequent to the reporting period, the Group has recovered partial amount due from a former subsidiary of approximately HK$6,662,000 from liquidators of CLI.

(b) As set out in note 39, Semtech BVI Group is the registered owner of various trademarks. Those trademarks are provided for the Group's use at nil consideration.

(c) During the year ended 31 December 2012, interest income from SUN International Investment Holdings Limited, a company with 40% equity interest indirectly held by the then director of the Company, amounted to approximately HK$58,000 (2013: nil). The interest income was charged according to the logistics services agreement entered into.

(d) During the year ended 31 December 2012, logistics services income from an associate amounted to approximately HK$13,922,000 (2013: nil). The logistics services income was charged according to mutually agreed terms.

(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:

	2013	2012
	HK$'000	HK$'000
Short-term benefits	**12,813**	7,537
Post-employment benefits	**713**	302
	13,526	7,839

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

47. 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.

48. LITIGATIONS

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 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.

Based on the legal opinion obtained by the Company and due to the Winding-up, the directors of the Company considered that the CITIC Auto Claim would not be extended to the Retained Group. Subsequent to the reporting period, as informed by the liquidators of CLI, the entire 90% equity interest in CLBJ was being disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

49. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2013 and 2012 are as follows:

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up ordinary share/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
				2013		2012		
				Direct %	Indirect %	Direct %	Indirect %	
ST-BVI	Corporation	British Virgin Islands	US$2	100	–	100	–	Investment holding
China LWM Property Limited	Corporation	Hong Kong	HK$1	–	100	–	100	Property investment
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 (note a)	Corporation	Hong Kong	HK$1,000,000	–	N/A	–	100	Trademark holding
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

Notes:

(a) Become a joint venture of the Group during the year (note 39).

(b) The company is a foreign enterprise in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

49. PRINCIPAL SUBSIDIARIES *(Continued)*

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.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of operations	Number of subsidiaries	
		2013	2012
Investment holding	British Virgin Islands	**5**	6
Not commenced business yet	Hong Kong	**2**	2
Inactive	British Virgin Islands	**2**	2
Inactive	Hong Kong	**1**	1

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				
	2013	2012	2011	2010	2009
	HK'000	HK'000	HK$'000	HK$'000	HK$'000
			Restated		
Turnover	**660,388**	572,451	742,279	785,121	538,855
Loss before taxation	**(23,581)**	(80,710)	(176,157)	(527,826)	(762,474)
Net loss attributable to owners of the Company	**(24,675)**	(339,412)	(934,159)	(532,180)	(779,991)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013	2012	2011	2010	2009
	HK'000	HK'000	HK$'000	HK$'000	HK$'000
			Restated		
Total assets	**469,046**	662,123	1,186,880	1,913,677	2,065,547
Total liabilities	**(397,136)**	(565,509)	(720,952)	(876,696)	(765,747)
Non-controlling interests	**–**	–	(50,953)	–	–
	71,910	96,614	414,975	1,036,981	1,299,800

Note: The results of the Group for the years ended 31 December 2013, 31 December 2012, 31 December 2011, 31 December 2010 and 31 December 2009 have been extracted from the audited consolidated financial statements for the years ended 31 December 2013, 31 December 2012, 31 December 2011, 31 December 2010 and 31 December 2009 and restated upon the adoption of the new or amended HKFRSs as appropriate.