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SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

Financial Advisor to the Company



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

ANNOUNCEMENT RESUMPTION OF TRADING

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and under Part XIVA of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board and the Special Committee, having considered all actions taken by the Company and factors set out in this announcement, believe that the financial position, business operations and the internal control system of the Retained Group are sufficient to warrant the resumption of the trading in the Shares on the Stock Exchange.

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 14 March 2012, and the Company has applied for the Shares to resume trading on the Stock Exchange with effect from 9.00 am on 4 March 2013.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares or other securities of the Company.

* For identification purpose only

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and under Part XIVA of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong).

BACKGROUND

Reference is made to the Company's announcements dated 14 March 2012, 25 April 2012, 14 June 2012, 3 August 2012, 6 November 2012, 8 November 2012, 22 November 2012, 30 November 2012, 12 December 2012, 27 December 2012 and 25 January 2013 (the "Announcements") and circular dated 22 October 2012 (the "Circular"). Capitalised terms in this announcement shall have the same meanings as those defined in the Announcements and the Circular unless otherwise specified.

Suspension and Investigation

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 14 March 2012 pending release of an announcement in relation to price sensitive information of the Company. On 25 April 2012, the Company announced that the Board noted that Mr. Li, the former executive Director and Chairman of the Company, was assisting the relevant authorities in the PRC in the investigation into certain transactions conducted by him in April 2009 prior to his becoming a shareholder and director of the Company. The Company was advised by the relevant authorities that only Mr. Li was under investigation and that the Investigation did not relate to the Group.

Subsequently, as further announced by the Company on 14 June 2012, the Company set up the Special Committee to handle the Company's matters which may arise from and relate to the Investigation. In addition, the Board resolved on the suspension of duties of Mr. Li as an executive Director and the Chairman of the Company with effect from 16 May 2012 pursuant to the Bye-laws of the Company.

CITIC Auto Lawsuit and Zhanjiang Projects

As set out in the Company's announcement dated 3 August 2012 and in the Circular, CITIC Auto filed the CITIC Auto Lawsuit with the Beijing Court against CLB. The CITIC Auto Lawsuit also revealed that there was a discrepancy between the CITIC Auto Claim and the Recorded CITIC Auto Loan. However, the Company was unable to clarify with Mr. Li regarding the Discrepancies. In connection with the CITIC Auto Lawsuit, certain trade receivables due from CITIC Contracting to CLI and CLB and one of CLB's bank accounts had been frozen by the Beijing Court.

The Investigation and the CITIC Auto Lawsuit had caused adverse impacts on the financial and business operations of CLBJ and CLI, which were the operating subsidiaries of the Company for the logistics services business segment. As announced by the Company on 3 August 2012 and 12 December 2012, the Company understood that the cessation of using the logo and the name of “CITIC” or “中信” may affect the continuation of the Zhanjiang Projects. On 22 August 2012, CLBJ received a notice from the Bao Steel Project Company informing CLBJ that the construction of the Zhanjiang Steel Base Project had formally commenced on 31 May 2012. It was estimated that the Zhanjiang Projects would require a total investment of approximately RMB466 million. However, neither CLBJ nor the Group had sufficient funds to invest in the Zhanjiang Projects. As advised by the PRC lawyer of the Group, there was a risk that CLBJ may have already breached the terms of relevant contracts, and the counter party to the contracts can and may take legal actions against CLBJ for losses and damages.

Removal of Mr. Li as a Director

On 8 November 2012, the Company announced that, pursuant to the Bye-laws of the Company, Mr. Li’s offices as an executive Director and the Chairman of the Company were vacated with effect from 8 November 2012. The Board also resolved that the Company would cause each of the relevant subsidiaries of the Company to remove Mr. Li as a director and/or the legal representative according to the relevant articles of association and applicable laws. As at the date of this announcement, Mr. Li has been removed as a director and/or the legal representative of the relevant companies within the Retained Group. In addition, on 22 November 2012, the Company announced that an executive Director and two independent non-executive Directors were appointed to help stabilizing the businesses and situation of the Group.

Winding-Up of CLI

As further announced by the Company on 12 December 2012 and 27 December 2012, the Board, having considered the operations, prospects and issues surrounding the CLI Group, resolved that CLI should be wound up. The Winding-Up would help the Company to be insulated from the consequences of any legal actions and claims against the CLI Group. The resolution for the voluntary winding-up of CLI under Section 241 of the Companies Ordinance was passed by the sole shareholder of CLI on 27 December 2012, and the winding-up process of CLI commenced on the same date. Upon the commencement of the Winding-Up, the Company has lost its control over CLI, and accordingly CLI has ceased to be a subsidiary of the Company and the financial results and position of the CLI Group have been deconsolidated from those of the Group. As at the date of this announcement, CLI is still under the liquidation.

LATEST DEVELOPMENT

Internal control review

In light of the Investigation and the Discrepancies, the Board and the Special Committee considered that it was necessary and prudent to engage an independent auditor to review the internal control system of the Retained Group. Therefore, ANDA CPA Limited, an independent audit firm (the “**Independent Audit Firm**”) was engaged by the Company to review and assess if the Retained Group has adequate financial reporting system and internal control procedures and they have been properly executed to enable the Company to meet its obligations under the Listing Rules; and if there were any irregular or abnormal transactions or payments or misappropriation funds of the Retained Group through reviewing the payments records of the Retained Group (the “**Internal Control Review**”). In addition, the Internal Control Review particularly reviewed and checked if there were any deficiencies regarding the internal control procedures of the Retained Group for acquisitions, which would constitute a notifiable transaction as defined under the Listing Rules.

According to the review report issued by the Independent Audit Firm, the results of its enquiries, observations, and discussions with responsible personnel of the Retained Group as well as examination of documents and records do not indicate that the Retained Group’s financial reporting system and internal control procedures are not adequate to meet its obligations under the Listing Rules. Through review of payment records, there is no indication that there are any irregular or abnormal transactions or payments or misappropriation funds of the Retained Group, in particular, unapproved or unauthorized payments which do not comply with the procedures of the Retained Group’s internal control manuals.

Nevertheless, the Independent Audit Firm made certain recommendations to strengthen the internal control system of the Retained Group, which mainly include, among others, establishing an investment committee, adopting an investment policy and procedures, engaging an independent professional to perform internal control review on a regular basis, and retaining a compliance adviser to strengthen the Retained Group’s compliance obligations under the Listing Rules and relevant financial regulations. The Board has accepted these recommendations, set up an investment committee and adopted an investment policy and procedures and engaged a compliance adviser for a term of one year commencing from the resumption of trading of Shares. In addition, the Company will engage an independent professional to perform internal control review on a regular basis as recommended by the Independent Audit Firm and the proposed next review will take place for the purpose of the financial year ending 31 December 2013.

The review of the payment records of the Retained Group entailed, among others, scrutinising the relevant bank ledgers and statements to identify any payment over HK\$500,000, documenting and enquiring details of payees, natures of such payments, checking and verifying relevant supporting documents and confirming the payment procedures. Mr. Li did not become a shareholder and a director of the Company until 19 November 2009 and 24 December 2009 respectively. In addition, the CLI Group is no longer within the Retained Group. As such, based on the review report issued by the Independent Audit Firm, the Board and the Special Committee are of the view that the Investigation would not have any financial and operations impacts on the Retained Group.

The CITIC Auto Lawsuit revealed the Discrepancies. The CITIC Auto Loan was made to CLBJ by CITIC Auto before CLBJ became a subsidiary of the Company during the time when Mr. Li was still the chief executive officer, a shareholder and a former director of CLBJ. As the CITIC Auto Lawsuit unveiled, the Company sought information from CLBJ and understands that the accounts of the CITIC Auto Loan by CLBJ were prepared under the instruction of Mr. Li. Mr. Li is no longer a director/legal representative of any companies within the Retained Group. As a result of the Winding-Up, CLBJ is no longer within the Retained Group. Therefore, the Internal Control Review did not include reviewing the internal control system of the CLI Group including CLBJ, and the Board and the Special Committee consider that the Discrepancies no longer have any implication on the internal control system of the Retained Group.

Business of the Retained Group

The Group was originally engaged in the manufacture and trading of electronic and electrical parts and components. Following two acquisitions, i.e. the acquisitions of entire issued share capital of CLI and 90% equity interest in CLBJ in November 2009 and November 2011, respectively, the Group started to engage in the logistics services business as well. Prior to its cessation, the logistics services segment was making a loss. Although the Investigation and the CITIC Auto Lawsuit had caused adverse impacts on the financial and business operations of the Group, the electronic products segment remains unaffected. After the commencement of the Winding-Up, the Retained Group would no longer conduct logistics services business and would deploy its resources to focus on the electronic products segment and other opportunities that may arise. Since the appointment of the new Directors and the commencement of the Winding-Up, the business and situation of the Retained Group have been stabilised.

As announced by the Company on 25 January 2013, the Group is expected to record a loss for the year ended 31 December 2012, mainly due to, among other reasons, the impairment of other intangible assets and goodwill, the potential impact from the Winding-Up, the imputed interest on convertible notes, and the operating losses. The electronic products segment was expected to make a loss for the year ended 31 December 2012 mainly due to severe competition as well as fall in demand in both the PRC and European markets. The performance of this segment, however, has improved in the 2nd half of 2012 as compared with the 1st half of 2012 due to tightened cost control and the focus on products with higher margins. As set out in the Circular, the Group disposed of the Property at a total consideration of HK\$285 million, and the completion of the Disposal will take place on 8 April 2013 or such other date agreed by both parties in writing. Proceeds from the Disposal would help repay debts and strengthen the financial position of the Retained Group.

RESUMPTION OF TRADING

Having considered all actions taken by the Company and factors set out above, the Board and the Special Committee believe that the financial position, business operations and the internal control system of the Retained Group are sufficient to warrant the resumption of the trading in the Shares on the Stock Exchange.

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 14 March 2012, and the Company has applied for the Shares to resume trading on the Stock Exchange with effect from 9.00 am on 4 March 2013.

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By order of the Board
Sino-Tech International Holdings Limited
Huang Hanshui
Executive Director

Hong Kong, 1 March 2013

As at the date of this announcement, the Board comprises Mr. Lam Yat Keung (President), Mr. Lim Chuan Yang, Mr. Huang Hanshui and Mr. Lam Hung Kit as executive directors; and Mr. Ho Chi Fai, Ms. Liu Yanfang, Professor Ma Hongwei, Mr. Chau Pong Chi and Ms. Ching Betty Siu Kuen as independent non-executive directors.