SINO-TECH INTERNATIONAL HOLDINGS LIMITED
泰豐國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of Sino-Tech International Holdings Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013.

RESULTS OVERVIEW

During the year ended 31 December 2013 (the "Reporting Period"), 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.

* *For identification purpose only*

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.

FINANCIAL HIGHLIGHTS

	2013	2012
	HK$'000	*HK$'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)

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Reporting Period (2012: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operation			
Turnover	3	**660,388**	572,451
Cost of sales		**(615,924)**	(567,666)
Gross profit		**44,464**	4,785
Other income		**1,241**	1,000
Gain on loss of control over subsidiaries	15	**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	14	**(260)**	(8,300)
Other expenses		**(723)**	(914)
Finance costs	4	**(20,022)**	(18,614)
Loss before taxation	5	**(23,581)**	(80,710)
Taxation	6	**–**	8
Loss for the year from continuing operation		**(23,581)**	(80,702)
Discontinued operations			
Loss for the year from discontinued operations	7	**(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	9		
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	2012
	HK$'000	*HK$'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		**46,299**	55,660
Interests in joint ventures	*10*	**5,991**	–
Deposits paid for acquisition of property, plant and equipment		**470**	–
		52,760	55,660
Current assets			
Inventories		**136,779**	100,661
Trade and bills receivables	*11*	**194,157**	180,875
Prepayments, deposits and other receivables		**1,917**	2,662
Amount due from a joint venture		**10**	–
Amounts due from former subsidiaries		**–**	–
Tax recoverable		**2,515**	960
Deposits in other financial institutions		**446**	446
Bank balances and cash		**80,462**	41,859
		416,286	327,463
Non-current asset classified as held for sale	*12*	**–**	279,000
		416,286	606,463
Current liabilities			
Trade and bills payables	*13*	**94,358**	99,974
Other payables and accruals		**11,830**	42,655
Amounts due to former subsidiaries		**7,379**	7,405
Financial guarantee liabilities	*14*	**–**	8,300
Obligations under finance leases		**5**	5
Convertible notes		**283,459**	–
		397,031	158,339
Liabilities associated with non-current asset classified as held for sale	*12*	**–**	143,637
		397,031	301,976
Net current assets		**19,255**	304,487
Total assets less current liabilities		**72,015**	360,147

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated and have been approved for issue by the Board on 28 March 2014.

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.

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 announcement, 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:

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	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 c)*	(60,178)
	(212,856)

(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 7a are set out as follows:

	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	(39,191)
Impairment loss on other intangible assets	(141,816)
Share of results of an associate	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) 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

Details of aggregate financial effect of the deconsolidation of subsidiaries are stated in notes 7a and 16 respectively to the consolidated financial statements in this announcement. As the CLI Group carried out all of the Group's logistics services operation, this business segment is also presented as discontinued operations in accordance with HKFRS 5.

2. Principal accounting policies

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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.

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.

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 15, 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 10.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 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]

[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.

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.

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.

- 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.

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.

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. 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 manufacturing and trading of electronic and electrical parts and components. Accordingly, the Group's continuing operation is attributable to a single reportable and operating segment under HKFRS 8. No operating segments have been aggregated in arriving at the reportable segment of the Group.

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

(i) Continuing operation

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

(ii) Discontinued operations

- Logistics services segment engages in providing shipping and transportation logistics services.
- Property investment segment engages in properties investments.

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

(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	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'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)

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 2013	Year ended 2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'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.*

4. 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	**20,021**	18,607
	20,022	18,614

5. Loss before taxation

Loss before taxation from continuing operation has been arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**615,924**	567,666
Staff costs	**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

6. Taxation

Tax credit for the year represents:

	2013	2012
	HK$'000	*HK$'000*
Continuing operation		
Deferred tax	**–**	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 Hong Kong Inland Revenue Department (the "IRD") enquired the Hong Kong Profits Tax of a subsidiary of the Company in respect of the years of assessment 2006/07 to 2011/12 (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 announcement, 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.

7. Loss for the year from discontinued operations

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

	2013	2012
	HK$'000	*HK$'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 announcement, 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	2012
	HK$'000	*HK$'000*
Loss of logistics services operation for the year	**–**	(188,735)
Gain on deconsolidation of subsidiaries *(note 16)*	**–**	136,065
Impairment loss on amounts due from former subsidiaries	**–**	(178,906)
	–	(231,576)

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:

	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	–	(39,191)
Impairment loss on other intangible assets	–	(141,816)
Share of results of an associate	–	705
Other expenses	–	(14,941)
Finance costs	–	(290)
Loss before taxation	–	(224,189)
Taxation	–	35,454
Loss for the year/period	–	(188,735)

Loss from discontinued logistics services operation for the year ended 31 December 2013 and 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.

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.

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:

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

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

	2013	2012
	HK$'000	*HK$'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-offs 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.

The investment property has been classified and accounted for at 31 December 2012 as non-current asset held for sale (note 12).

8. 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).

9. 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 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: HK 2.16 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.

10. Interests in joint ventures

	2013	2012
	HK$'000	*HK$'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		Principal activities
					Direct	Indirect	
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 15, 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.

11. 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.

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	2012
	HK$'000	*HK$'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

12. Non-current asset classified as held for sale/liabilities associated with non-current asset classified as held for sale

As mentioned in note 7b, 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 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.

13. 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	2012
	HK$'000	*HK$'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

14. 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.

15. 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 Semtech BVI Group, and 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.

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 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.

16. Deconsolidation of subsidiaries

As referred to in notes 1 and 7a, 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

17. 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.

18. 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.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

"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.

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."

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 announcement, the winding-up of CLI is still in process. The financial results and position of 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 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 12 to the consolidated financial statements in this announcement) during the Reporting Period. As reported in the 2012 Annual Report of the Company, 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.

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 in this announcement). 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 were 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).

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 15 to the consolidated financial statements in this announcement, 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 "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 Listing Rules. The completion of the Semtech Disposal took place on 31 May 2013, after which the Group retained 50% control over Semtech BVI Group, and 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.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 17 to the consolidated financial statements in this announcement.

Litigations

Details of the litigations of the Group are set out in note 18 to the consolidated financial statements in this announcement.

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 PRC. Total staff costs (including directors' remuneration but excluding share option expenses) 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.

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.

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.

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.

CORPORATE GOVERNANCE PRACTICE

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 of the Company (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, two independent non-executive Directors were unable to attend due to their other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules 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.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed with the management the Group's consolidated financial statements for the Reporting Period, including the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, in conjunction with the auditors of the Company.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at http://www.irasia.com/listco/hk/sinotech and the website of the Stock Exchange. The 2013 Annual Report will be despatched to the shareholders of the Company and will be available at the above websites in due course.

By order of the Board
Sino-Tech International Holdings Limited
Lam Yat Keung
President

Hong Kong, 28 March 2014

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