THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Sino-Tech International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, the licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and dose not constitute an invitation or offer to acquire, purchase or subscribe for securities of Sino-Tech International Holdings Limited.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

VERY SUBSTANTIAL ACQUISITION INVOLVING THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE NOTES AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Financial Adviser to the Vendor

ASIAN CAPITAL (CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

A letter from the board of directors of Sino-Tech International Holdings Limited is set out on pages 6 to 21 of this circular. A notice convening the SGM to be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong, on 9 November 2009 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-3 of this circular.

If you are not able to attend the SGM in person, please complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time fixed for holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) or upon the poll concerned should you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

19 October 2009

* *For identification purpose only*

CONTENTS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

"Additional Convertible Notes"	Convertible Notes in the principal amount equivalent to the Increased Amount but not exceeding HK$450,000,000 to be issued by the Company if the Aggregate Net Profit exceeds HK$180,000,000
"Agreement"	the sale and purchase agreement dated 13 September 2009 and entered into among the Company, the Purchaser and the Vendor in respect of the sale and purchase of the entire issued share capital of CITIC Logistics
"Aggregate Net Profit"	the audited aggregate net profit after tax of CITIC Logistics for the two financial years ending 31 December 2010
"Announcement"	the announcement of the Company dated 23 September 2009 in respect of the Transaction
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or public holiday or days on which a typhoon signal no. 8 or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.)
"BVI"	the British Virgin Islands
"CITIC Logistics"	CITIC Logistics (International) Company Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is beneficially owned by the Vendor
"Company"	Sino-Tech International Holdings Limited, a company incorporated in Bermuda with limited liabilities and the securities of which are listed on the Stock Exchange

"Completion"	completion of the Transaction
"Completion Date"	the date on which Completion takes place, being a date falling within five business day after the fulfilment of the Conditions Precedent
"Conditions Precedent"	the conditions precedent for the Completion as set out in the Agreement
"connected person"	has the meaning given to it under the Listing Rules
"Consideration"	the consideration for the Sale Shares
"Consideration Shares"	1,620,000,000 new Shares to be allotted and issued at the Issue Price by the Company to the Vendor to satisfy part of the Consideration upon Completion
"Conversion Period"	subject to early redemption or the occurrence of an event of default (as defined in the Convertible Notes), the period commencing from the date of issue of the Convertible Notes and ending on the Maturity Date
"Conversion Price"	HK$0.12 being the price at which the principal amount of the Convertible Notes are converted into Conversion Shares
"Conversion Shares"	new Shares to be allotted and issued following the exercise by a noteholder of his rights and at the Conversion Price under the Convertible Notes and Additional Convertible Notes
"Convertible Notes"	the convertible notes to be issued by the Company to the Vendor to satisfy part of the Consideration
"Director(s)"	the director(s) of the Company
"Earnest Money"	a sum of HK$5,000,000 which had been paid by the Purchaser to the Escrow Agent subject to the terms and conditions set out in the Escrow Letter

"Enlarged Group"	the Group immediately after Completion (including CITIC Logistics)
"Escrow Agent"	the agent holding the Earnest Money in escrow
"Escrow Letter"	the letter setting out the terms and conditions on which the Earnest Money will be governed
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Increased Amount"	the amount of Consideration proportionally increased in accordance with the terms and conditions under the Agreement as a result of the Aggregate Net Profit of CITIC Logistics exceeding HK$180,000,000
"Issue Price"	HK$0.12 being the price at which the Consideration Shares are to be allotted and issued by the Company to the Vendor
"Last Trading Day"	11 September 2009, being the last trading date immediately before the publication of the Announcement
"Latest Practicable Date"	14 October 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listed Comparables"	Orient Overseas (International) Limited (Stock Code: 316), Sinotrans Shipping Limited (Stock Code: 368), Chu Kong Shipping Development Company Limited (Stock Code: 560), China Shipping Development Company Limited (Stock Code: 1138), Cosco Pacific Limited (Stock Code: 1199), China Shipping Container Lines Company Limited (Stock Code: 2866), shares of which are all listed on the main board of the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	31 January 2010 or such other date as may be agreed among the Parties in writing
"Maturity Date"	a day falling on the fifth anniversary of the date of issue of Convertible Notes
"Parties"	the parties to the Agreement, and "Party" shall be construed accordingly
"percentage ratio"	has the meaning given to it under the Listing Rules
"Purchaser"	Top Victory Industries Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company
"Sale Shares"	10,000 shares of HK$1.00 in the capital of CITIC Logistics, representing its entire issued share capital to be sold by the Vendor to the Purchaser pursuant to the Agreement
"SFC"	Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Agreement, the Transaction, the increase of the authorised share capital of the Company, the issue of the Convertible Notes, the allotment and issue of the Consideration Shares and the Conversion Shares, notice of which is set out on page SGM-1 to SGM-3 of this circular
"Share(s)"	existing ordinary share(s) of HK$0.01 each in the capital of the Company and a "Share" shall be construed accordingly
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Substantial Shareholders"	Smart Number Investments Limited and Forever Gain Profits Limited which holds approximately 16.02% and 15.27% of the Shares respectively as at the Latest Practicable Date
"Takeovers Code"	Codes on Takeovers and Mergers and Share Repurchases
"Transaction"	the transaction contemplated under the Agreement, being the sale and purchase of the Sale Shares
"Vendor" or "Mr. Li"	Mr. Li Wei Min, the sole beneficial owner of the entire issued share capital of CITIC Logistics
"very substantial acquisition"	has the meaning given to it under the Listing Rules
"%"	per cent

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

Executive Directors:
Mr. Lam Yat Keung
Ms. Lam Pik Wah
Mr. Lam Hung Kit

Independent Non-Executive Directors:
Mr. Lo Wah Wai
Mr. Pai Te Tsun
Mr. Ho Chi Fai

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and Principal Place of Business:
26/F,
CCT Telecom Building
11 Wo Shing Street,
Fotan, Shatin, N.T.
Hong Kong

19 October 2009

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
INVOLVING THE ISSUE OF
CONSIDERATION SHARES AND CONVERTIBLE NOTES
AND
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

INTRODUCTION

Reference is made to the Announcement in which the Board announced that on 13 September 2009, the Company and the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of CITIC Logistics at the Consideration of HK$1,144,800,000 (subject to adjustment) on the terms and subject to the conditions set out in the Agreement.

* *For identification purpose only*

The Consideration shall be satisfied (i) as to HK$194,400,000 by allotting and issuing the Consideration Shares; and (ii) as to HK$950,400,000 (subject to adjustment) by issuing the Convertible Notes to the Vendor.

Pursuant to the Agreement, the Company and the Purchaser have undertaken to the Vendor that if the Aggregate Net Profit of CITIC Logistics for the two financial years ending 31 December 2010 exceeds HK$180,000,000, the Consideration will be adjusted and increased proportionally to a maximum amount of HK$1,594,800,000. The maximum Increased Amount of up to HK$450,000,000 will be satisfied by the issue of Additional Convertible Notes to the Vendor. The Conversion Price of the Additional Convertible Notes is HK$0.12 per Conversion Share. Upon full exercise of the conversion rights attaching to the Additional Convertible Notes in the maximum principal amount of HK$450,000,000, an additional 3,750,000,000 Conversion Shares will be issued by the Company.

The purpose of this circular is to provide the Shareholders, amongst other things, further information in relation to the Transaction, the issue of Consideration Shares, the Convertible Notes, the Conversion Shares together with the notice of the SGM for considering and, if thought fit, approving at the SGM, amongst other things, the Agreement, the Transaction, the increase of the authorised share capital of the Company, the issue of the Convertible Notes, the allotment of the Consideration Shares and the Conversion Shares.

THE AGREEMENT

Date

13 September 2009

Parties

Company	:	Sino-Tech International Holdings Limited
Purchaser	:	Top Victory Industries Limited
Vendor	:	Mr. Li Wei Min

Mr. Li is the sole beneficial owner of the entire issued share capital of CITIC Logistics. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and connected persons of the Company. Save and except for the entering into of the Transaction, the Vendor has not had any relationship with the Substantial Shareholders.

Assets to be Acquired

The Sale Shares represent the entire issued share capital of CITIC Logistics. Upon Completion, CITIC Logistics will become a wholly-owned subsidiary of the Company.

Consideration

The Consideration payable by the Purchaser to the Vendor for the Sale Shares is HK$1,144,800,000, which shall be satisfied, on the Completion Date, in the following manner:

(1) as to HK$194,400,000 by the issue of the Consideration Shares at the Issue Price; and

(2) as to HK$950,400,000 by the issue of the Convertible Notes.

The Consideration of HK$1,144,800,000 was arrived at after arm's length negotiation between the Company, the Purchaser and the Vendor, having regard to the following:–

a. the audited net profit of CITIC Logistics for the 7 months ended 31 July 2009 of approximately HK$35 million;

b. the agreed net profit benchmark of CITIC Logistics for the two years ending 31 December 2010 being HK$180,000,000, translating into an annual average of about HK$90,000,000, thereby converting into a price to earnings ratio of approximately 12.73 times which is within the norm indicated by the Listed Comparables that are engaged in a similar line of business of CITIC Logistics with median of the historical price to earnings ratio of approximately 11.03 times;

c. the business and growth prospect of CITIC Logistics and the Group being able to diversify into a prosperous industry with CITIC's brand name, and a superior proven track record;

d. the existing logistics service contract entered into between CITIC Logistics and a global energy and petrochemical company, details of which have been disclosed in the sub-section headed "Information relating to CITIC Logistics" on page 18 of this circular, and the participation in the provision of shipping service to transport construction materials from China to Angola, Africa, both of which have been providing income for CITIC Logistics; and

e. no cash outlay is needed for the acquisition whilst following Completion, the Company as a whole will benefit from the profit and cash flow available from CITIC Logistics, and diversifying itself into logistics businesses.

In view of the above, the Board considers that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Details of the Consideration Shares and the Convertible Notes are provided below under the section headed "The Consideration Shares", "The Convertible Notes and The Conversion Shares".

Possible Adjustment of the Consideration

The Company and the Purchaser have undertaken to the Vendor that if the Aggregate Net Profit of CITIC Logistics exceeds HK$180,000,000 for the two financial years ending 31 December 2010, the Consideration will be increased proportionally and calculated as follows:

A	=	10 x (B – HK$180,000,000)
where		A is the Increased Amount; and
		B is the actual Aggregate Net Profit.

Provided that the maximum Consideration and the principal amount of the Additional Convertible Notes shall not exceed HK$1,594,800,000 and HK$450,000,000 respectively, the Increased Amount shall be satisfied by way of issue of the Additional Convertible Notes. The Parties mutually agreed that Aggregate Net Profit of HK$180,000,000 for a 2-year complete trading performance of CITIC Logistics from commencement of business in January 2009 was reasonable having regard to the existing businesses and prospects of CITIC Logistics. In addition, the Board has also taken into account the existing logistics service contract secured by CITIC Logistics with a global energy and petrochemical company in April 2009 and the participation by CITIC Logistics in the provision of shipping services to transport construction materials to Angola from March 2009 and which together contributed audited net profits of CITIC Logistics in the amount of approximately HK$35 million for the 7 months ended 31 July 2009. In view of the fact that CITIC Logistics started to record profit from March 2009, the Board considers that the benchmark of HK$180,000,000 is reasonable. Having reviewed and considered the share prices of the Listed Comparables which are considered by the Board are engaged in similar lines of businesses and were trading at a range of approximately 5.3 to 748 times of historical price earnings multiple, with a median of approximately 11.03 times, the Parties agreed that benchmark of multiple of 10 was reasonable.

The Aggregate Net Profit is not to be considered as an anticipated level of future profits as it serves only as a benchmark, after arms-length negotiation among the Parties, for determining the total consideration and the Increased Amount.

Having considered the existing business and the business prospects of CITIC Logistics as disclosed above, the Board considers that the setting of the Increased Amount and thus the maximum Consideration would encourage the performance of CITIC Logistics which would be in the interest of the Company and the Shareholders as a whole.

Conditions Precedent of the Agreement

Pursuant to the Agreement, Completion shall be subject to and conditional upon the satisfaction in full or (at the sole and absolute discretion of the Purchaser) the waiver of the following conditions (except conditions (1), (2) and (5) which cannot be waived):–

(1) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject only to conditions to which neither the Vendor nor the Purchaser may reasonably object) or agree to grant listing of and permission to deal in the Consideration Shares and the Conversion Shares;

(2) approval by the Shareholders in relation to, amongst others, the Agreement and all transactions contemplated thereunder, the increase of authorised share capital of the Company, the issue of the Consideration Shares, the issue of the Convertible Notes and the issue of the Conversion Shares at the SGM;

(3) the Purchaser is satisfied with the results of the due diligence review, including but not limited to the satisfaction of the legal, financial and business position and prospects of CITIC Logistics;

(4) all necessary authorisations of all relevant governmental or regulatory authorities, agencies or bodies, or any other third party, required for the implementation of the Transaction being obtained and maintained;

(5) the Company having complied with and to the satisfaction of the Stock Exchange and the SFC all requirements under the Listing Rules and/or the Takeovers Code in relation to the purchase of the Sale Shares and issue of the Consideration Shares and the Convertible Notes and other transactions contemplated under the Agreement;

(6) it has not come to the attention of the Purchaser that the representations and warranties and undertakings of the Vendor under the Agreement being inaccurate and incorrect;

(7) it has not come to the attention of the Vendor that the warranties given by the Company under the Agreement being inaccurate and incorrect; and

(8) it has not come to the attention of the Purchaser or the Vendor that any material adverse changes or effect in respect of CITIC Logistic, the Purchaser or the Company has occurred or are likely to occur prior to the Completion Date.

If any of the above conditions has not been fulfilled or waived on or before the Long Stop Date, the Earnest Money shall be released to the Purchaser and the Agreement shall terminate whereupon no Party shall have any liability to any other Party save for antecedent breaches.

Pursuant to the Agreement, the Purchaser is entitled to conduct due diligence review on CITIC Logistics within one month from the date of the Agreement. The Vendor has agreed to extend the due diligence review period to 16 October 2009.

Earnest Money

Pursuant to the Agreement, the Purchaser had paid HK$5,000,000 to the Escrow Agent as Earnest Money on the terms and subject to the conditions set out in the Escrow Letter. The Earnest Money does not form any part of the Consideration.

The Earnest Money will be returned to the Purchaser (i) on Completion; or (ii) if Completion fails to take place because of any one of the Conditions Precedent is not fulfilled before the Long Stop Date; or (iii) Completion fails to take place for any reasons other than the Purchaser not proceeding to Completion; or (iv) if the Agreement is terminated.

The Earnest Money will be released to the Vendor if Completion fails to take place because the Purchaser has failed to proceed with Completion notwithstanding that all the Condition Precedents have been fulfilled.

Completion of the Agreement

Completion shall take place on the Completion Date, whereupon the Purchaser will be the beneficial owner of the entire issued share capital of CITIC Logistics, and CITIC Logistics will become an indirect wholly-owned subsidiary of the Company.

As at the date of this circular, the Company has no intention to appoint or nominate the Vendor or his nominated persons as Directors or to change the composition of the Board.

THE CONSIDERATION SHARES, THE CONVERTIBLE NOTES AND THE CONVERSION SHARES

The Consideration Shares

The 1,620,000,000 Consideration Shares to be allotted and issued at the Issue Price represent:

(i) approximately 42.7% of the share capital of the Company as at the Latest Practicable Date;

(ii) approximately 29.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and

(iii) approximately 12.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares, assuming full conversion of the Convertible Notes in the amount of HK$950,400,000 and the Conversion Shares being allotted and issued at the Conversion Price.

The Consideration Shares, when allotted and issued, shall rank pari passu in all respects amongst themselves and with all other Shares and be entitled to dividends and other rights carried by the Shares. There are no restrictions on the subsequent sale of the Consideration Shares.

The Convertible Notes and the Conversion Shares

The Convertible Notes will be issued in the principal amount of HK$950,400,000. Subject to the Aggregate Net Profit of CITIC Logistics exceeding HK$180,000,000, the Additional Convertible Notes will be issued in accordance with the formula as set out above subject to a maximum amount of HK$450,000,000. Therefore, assuming that the Additional Convertible Notes in the maximum principal amount of HK$450,000,000 are issued, the aggregate principal amount of the Convertible Notes and the Additional Convertible Notes will be HK$1,400,400,000. Save for the difference in the principal amount, the Additional Convertible Notes will be issued on terms and conditions identical to the Convertible Notes.

The 11,670,000,000 Conversion Shares to be allotted and issued at the Conversion Price, assuming full conversion of the Convertible Notes and the Additional Convertible Notes in the aggregate principal amount of HK$1,400,400,000, represent:–

(i) approximately 307.3% of the issued share capital of the Company as at the Latest Practicable Date;

(ii) approximately 215.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares;

(iii) approximately 75.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares; and

(iv) approximately 68.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares provided that the Consideration Shares and the Conversion Shares are allotted and issued at the Issue Price and the Conversion Price respectively.

The Conversion Shares, when allotted and issued, shall rank pari passu in all respects amongst themselves and with all other Shares then in issue and be entitled to dividends and other rights carried by the Shares. There are no restrictions on the subsequent sale of the Conversion Shares.

Issue Price of the Consideration Shares and the Conversion Price of the Conversion Shares

The Issue Price and Conversion Price of HK$0.12 per Consideration Share and Conversion Share represents:

(i) a discount of approximately 76.5% to the closing price of HK$0.51 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 9.1% to the unaudited net assets value attributable to equity Shareholders of approximately HK$0.11 per Share as at 30 June 2009;

(iii) a discount of approximately 68.4% to the closing price of HK$0.38 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a discount of approximately 63.7% to the average closing price of approximately HK$0.331 per Share based on the average closing price as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(v) a discount of approximately 57.6% to the average closing price of approximately HK$0.283 per Share based on the average closing price as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and

(vi) a discount of approximately 17.8% to the average closing price of approximately HK$0.146 per Share based on the average closing price as quoted on the Stock Exchange for the past 12 months up to and including the Last Trading Day.

The Issue Price and the Conversion Price were determined after arms-length negotiations among the Purchaser, the Company and the Vendor, having regard to, inter alia, (a) the unaudited net assets value per Share of approximately HK0.11 as at 30 June 2009. The Board noted that the price of the Shares had been trading within the range of HK$0.06 to HK$0.415 over the past 12 months up to and including the Last Trading Day, with share price and volume having stayed below the Issue Price and the Conversion Price for most of the time until around May 2009. Trading price and volume started to pick up in May 2009 despite the Company's clarification announcement of 26 June 2009, and the Shares continued to be actively traded at prices well in excess of its audited net assets value per share as at 31 December 2008 and; (b) the Issue Price and the Conversion Price of HK$0.12, representing a historical price earnings multiple of approximately 70 times, and price to book net asset value of approximately 1.09 times, whilst the Listed Comparables having the median of the historical price to earnings ratio of 11.03 times and price to book net asset value of 0.97 times based on the latest published financial information, therefore, the Board considers that the Issue Price and the Conversion Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Principal Terms of the Convertible Notes

Issuer	:	The Company
Holder of the Convertible Notes	:	The Vendor
Principal Amount	:	HK$950,400,000

Transferability	:	The Convertible Notes may be assigned and transferred (whether in whole or in part(s)) by noteholder serving a written notification to the Company and the principal amount to be transferred or assigned is at least HK$500,000 or integral multiples of HK$500,000.
Maturity Date	:	The Convertible Notes shall mature on the date falling the expiry of five (5) years from the date of issue of the Convertible Notes. All outstanding Convertible Notes should be redeemed on the Maturity Date.
Interest	:	The Convertible Notes will not bear any interest.
Conversion Period	:	Subject to early redemption or the occurrence of an event of default (as defined in the terms and conditions of the Convertible Notes), the conversion period shall commence on the date of issue of the Convertible Notes and end on the Maturity Date.
Conversion Price	:	HK$0.12 per Conversion Share.
Conversion Prerequisites	:	The conversion rights attaching to the Convertible Notes can be exercised at any time within the Conversion Period provided that no conversion right shall be exercised if it will result in (a) a change in control (as defined in the Takeovers Code); (b) insufficient public float under the Listing Rules.
Event of Default	:	If an event of default (as defined in the terms and conditions of the Convertible Notes) occurs, the noteholder may elect for redemption of the Convertible Notes.
Early Redemption	:	Subject to the occurrence of an event of default (as defined in the terms and conditions of the Convertible Notes), the Convertible Notes may be redeemed in amounts of HK$100,000 or integral multiples thereof at the option and in the absolute discretion of the Company on any business day prior to the Maturity Date.

Application for Listing

No application will be made by the Company for the listing of the Convertible Notes. Application will be made by the Company for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares.

The Consideration Shares and the Conversion Shares will be alloted and issued pursuant to a specific mandate to be sought at the SGM.

EFFECTS ON SHAREHOLDING STRUCTURE AFTER COMPLETION

The table below sets out (i) the existing shareholding structure of the Company as at the Latest Practicable Date; (ii) the shareholding structure of the Company upon the allotment and issue of the Consideration Shares; (iii) the shareholding structure of the Company upon the allotment and issue of Consideration Shares and full conversion of the Convertible Notes (for illustration purpose only); and (iv) the shareholding structure of the Company upon the allotment and issue of Consideration Shares and full conversion of the Convertible Notes and the maximum principal amount of the Additional Convertible Notes (for illustration purpose only):

	Existing Shareholding Structure as at the Latest Practicable Date		Upon issue of Consideration Shares		Upon issue of Consideration Shares and full conversion of Convertible Notes *(Note 1)*		Upon issue of Consideration Shares and full conversion of Convertible Notes and maximum principal amount of Additional Convertible Notes *(Note 1)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Vendor and parties acting in concert with it	–	–	1,620,000,000	29.90%	9,540,000,000	71.53%	13,290,000,000	77.78%
Smart Number Investments Limited *(Note 2)*	608,400,000	16.02%	608,400,000	11.23%	608,400,000	4.56%	608,400,000	3.56%
Forever Gain Profits Limited *(Note 3)*	580,000,000	15.27%	580,000,000	10.71%	580,000,000	4.35%	580,000,000	3.39%
Mr. Kwong Chi Shing Savio *(Note 4)*	239,980,000	6.32%	239,980,000	4.43%	239,980,000	1.80%	239,980,000	1.40%
Public Shareholders	2,369,120,100	62.39%	2,369,120,100	43.73%	2,369,120,100	17.76%	2,369,120,100	13.87%
Total	3,797,500,100	100.00%	5,417,500,100	100.00%	13,337,500,100	100.00%	17,087,500,100	100.00%

Notes:

(1) For illustration purpose only as the Vendor and parties acting in concert with it or successors of the noteholders individually will not directly or indirectly control or be interested in Shares of 30% or more in the Company pursuant to the terms of the Agreement.

(2) Smart Number Investments Limited is a company incorporated in the BVI. The entire issued share capital of Smart Number is beneficially owned as to 66.67% by Ms. Lam Pik Wah and as to 33.33% by Mr. Lam Hung Kit.

(3) According to the Disclosure of Interests filing, Forever Gain Profits Limited is wholly owned by Mr. Wan Bing Hung.

(4) According to the Disclosure of Interests filing, Mr. Kwong Chi Shing Savio is beneficially interested in 239,980,000 Shares.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company is a company incorporated in Bermuda with limited liability and is principally engaged in the business of investment holding. The principal business activities of its major subsidiaries include, inter alia, manufacturing and trading of electronic and electrical parts and components, and manufacturing and trading of cigarette lighters and lighter parts.

As disclosed in the announcement of the Company dated 29 September 2009 and the circular of the Company dated 13 October 2009, the Company and Mr. Sher Tak Chi entered into a sale and purchase agreement upon completion of which Classic Line International Limited will cease to be a subsidiary of the Company. Classic Line International Limited and its subsidiaries (the "Disposed Group") are principally engaged in the business of manufacturing and trading of cigarette lighters and lighter parts (the "Proposed Disposal"). As disclosed in the interim result of the Company for the six months ended 30 June 2009, the revenue of the Disposed Group represented approximately 19.21% of the total turnover of the Group and the Disposed Group recorded a net loss of HK$6,446,000, for the six months ended 30 June 2009. The assets of the Disposed Group do not represent a substantial part of the Company's net assets as at 30 June 2009. As Mr. Sher Tak Chi is a director of the Disposed Group, the Proposed Disposal constitutes a discloseable and connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to approval of the independent shareholders of the Company.

After completion of the Transaction and the disposal of Classic Line International Limited, the principal activities of the Group will be manufacturing and sale of electronic parts and components and the provisions of logistics services. As at the Latest Practicable Date, the Company has no intention to dispose of its electronic parts and components business.

Save and except for the Proposed Disposal and the entering into of the Transaction, the Group has no intention to change other principal business activities of its subsidiaries.

The Purchaser is a company incorporated in BVI with limited liability, it is a direct wholly-owned subsidiary of the Company and is principally engaged in the business of investment holding.

INFORMATION RELATING TO CITIC LOGISTICS

CITIC Logistics was established by Mr. Li in Hong Kong in 2007. Based on the information provided by the Vendor, Mr. Li is also the Chief Executive Officer of and a shareholder holding 30% equity interest in 中信物流有限公司 (CITIC Logistics Company Limited), a company incorporated in the PRC. CITIC Logistics is principally engaged in logistics services by providing the whole solutions and services for supply chain management.

In 2008, CITIC Logistics successfully obtained the exclusive right of logistics services from a global energy and petrochemical company (the "Energy Company"), to provide transportation of petroleum products (including asphalt) for around 200 locations in Hong Kong. According to the contract, service terms of CITIC Logistics will be for a period of at least 3 years, and may be extended for a maximum period of 2 years at the sole discretion of the Energy Company. The performance of CITIC Logistics under this agreement is guaranteed by CITIC Logistics Company Limited.

Based on the information provided by the Vendor, in December 2008, CITIC Logistics started to cooperate with 中信國華國際工程承包公司 (CITIC Guohua International Construction Contracting Company Limited) to provide shipping service to transport construction materials from China to Angola, Africa for a government key project. It is expected that such project in Angola will initially last for 4 years, and more than 1,000,000 tones of construction materials will be transported by CITIC Logistics every year.

FINANCIAL INFORMATION ON CITIC LOGISTICS

The following table is the summary of the financial information of CITIC Logistics for the period from 8 May 2007 (date of incorporation) to 31 December 2007, year ended 31 December 2008 and for the seven months period ended 31 July 2009 prepared in accordance with the Hong Kong Financial Reporting Standards.

	From 8 May 2007 (date of incorporation) to 31 December 2007	**Year ended 31 December 2008**	**For the seven months ended 31 July 2009**
	HK$'000	*HK$'000*	*HK$'000*
	(approx.)	*(approx.)*	*(approx.)*
	(audited)	(audited)	(audited)
Turnover	–	–	94,678
Net Profit/(Loss) before taxation	(152)	(590)	35,082
Net Profit/(Loss) after taxation	(152)	(590)	35,082

	As at 31 December 2007 *HK$'000* *(approx.)* (audited)	As at 31 December 2008 *HK$'000* *(approx.)* (audited)	As at 31 July 2009 *HK$'000* *(approx.)* (audited)
Total assets	49	6,205	106,561
Total liabilities	201	6,937	72,211
Net (liabilities) assets	(152)	(732)	34,350

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company has been looking for opportunities to diversify its income and asset base. The acquisition represents an excellent opportunity for the Company to enter into a promising industry.

Taking into account the performance and prospect of CITIC Logistics and the benefits of the Transaction, the Board is of the view that the terms of the Agreement are fair and reasonable and on normal commercial terms, and the Transaction is in the interests of the Company and the Shareholders as a whole.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK$120,000,000 divided into 12,000,000,000 Shares, of which 3,797,500,100 Shares have been issued. In order to accommodate the future expansion and growth of the Group as well as to accommodate the issue of the Consideration Shares and the Conversion Shares, the Board proposes to increase the authorised share capital of the Company from HK$120,000,000 divided into 12,000,000,000 Shares to HK$300,000,000 by creation of an additional of 18,000,000,000 new ordinary Shares.

EFFECT OF THE TRANSACTION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon Completion, CITIC Logistics will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of CITIC Logistics will be consolidated into the Group's financial statements. As at 31 December 2008, the total assets and total liabilities of the Group were approximately HK$553,408,000 and HK$135,521,000 respectively, with the net assets value of approximately HK$417,887,000. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming the Completion takes place on 31 December 2008, the total assets and total liabilities of the Enlarged Group will be increased to approximately HK$1,705,145,000 and HK$1,092,858,000 respectively, and thus resulting in an increase in the net assets value of approximately HK$612,287,000. The increase in the net assets value is mainly attributable to the effect of consolidation of CITIC Logistics.

The consolidated profit of the Group was approximately HK$6,399,000 for the year ended 31 December 2008. Pursuant to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming the Completion take place on 1 January 2008, the net profit of the Enlarged Group was approximately HK$5,809,000.

LISTING RULES IMPLICATION

As certain of the applicable percentage ratios prescribed under Rule 14.07 of the Listing Rules exceed 100%, the Transaction constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the Shareholders' approval at the SGM.

PREVIOUS FUND RAISING EXERCISES

The Company has not conducted any fund raising exercises in the past 12 months immediately preceding the Latest Practicable Date.

SGM

The SGM will be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong at 11:00 a.m. on Monday, 9 November 2009 to consider, if thought fit, approve, amongst other things, the Agreement, the Transaction, the increase of the authorised share capital of the Company, the issue of Convertible Notes and the issue and allotment of the Consideration Shares and the Conversion Shares.

A notice convening the SGM is set out on pages SGM-1 to SGM-3 in this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so desire.

To the best of the Directors' knowledge and information, and having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM.

RECOMMENDATION

The Board considers that the terms of the Agreement are fair and reasonable and that the proposed ordinary resolutions in connection with, amongst other things, the Agreement, the Transaction, the increase of the authorised share capital of the Company, the issue of Convertible Notes and the issue and allotment of the Consideration Shares and the Conversion Shares are in the best interest of the Company and the Shareholders as a whole, and accordingly, recommend all Shareholders to vote in favor of all the ordinary resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the notice of the SGM and additional information set out in the Appendices to this circular.

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

An unqualified opinion in respect of the audit of the financial statements of the Group had been issued for each of the three financial years ended 31st December 2008. The following is a summary of the audited consolidated results of the Group for the three years, the unaudited consolidated results of the Group for the six months ended 30 June 2008 and 2009, the audited consolidated assets and liabilities of the Group as at 31 December 2006, 2007 and 2008 and the unaudited consolidated assets and liabilities of the Group as at 30 June 2009, as extracted from each of the relevant annual reports and interim reports of the Company.

CONSOLIDATED INCOME STATEMENT OF THE GROUP

	For the six months ended 30 June		**For the years ended 31 December**		
	2009	**2008**	**2008**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Turnover	283,208	381,689	729,045	795,909	636,237
Cost of sales	(242,945)	(329,980)	(635,633)	(662,766)	(505,839)
Gross profit	40,263	51,709	93,412	133,143	130,398
Other income	2,841	3,365	4,822	8,692	10,370
Distribution costs	(5,406)	(6,955)	(14,097)	(12,335)	(13,655)
Administrative expenses	(26,811)	(23,310)	(39,216)	(39,208)	(41,131)
Impairment loss on trade and other receivables	–	–	(27,932)	(2,977)	(7,042)
Other expenses	–	–	(3,338)	(612)	(2,060)
Finance costs	(97)	(41)	(121)	(86)	(77)
Profit before taxation	10,790	24,768	13,530	86,617	76,803
Taxation	(2,917)	(4,378)	(7,131)	(16,132)	(14,606)
Profit for the period/year attributable to equity holders of the Company	7,873	20,390	6,399	70,485	62,197

CONSOLIDATED BALANCE SHEET OF THE GROUP

	As at 30 June 2009 HK$'000 (unaudited)	As at 31 December 2008 HK$'000 (audited)	2007 HK$'000 (audited)	2006 HK$'000 (audited)
Non-current assets				
Property, plant and equipment	122,213	130,944	102,354	99,313
Prepaid lease payments	1,664	1,672	1,628	1,554
Other intangible assets	–	290	632	1,031
Interest in a jointly controlled entity	–	–	(1,435)	(1,928)
Deposits for acquisition of property, plant and equipment	597	–	16,364	1,556
	124,474	132,906	119,543	101,526
Current assets				
Inventories	105,454	116,404	159,489	156,394
Trade and bills receivables	173,901	171,020	207,608	157,345
Prepaid lease payments	41	41	39	36
Prepayments, deposits and other receivables	8,145	5,240	29,467	7,458
Financial assets at fair value through profit or loss	2,700	–	–	–
Cash in other financial institutions	18,802	–	–	–
Bank balances and cash	103,020	127,797	59,374	86,588
	412,063	420,502	455,977	407,821
Current liabilities				
Trade and bills payables	78,851	100,113	113,207	104,421
Other payables and accruals	12,313	16,413	22,028	16,582
Tax payable	4,850	4,057	9,902	5,329
Borrowings – unsecured	857	1,769	–	–
Obligations under finance leases – due within one year	297	444	474	273
	97,168	122,796	145,611	126,605
Net current assets	314,895	297,706	310,366	281,216
Total assets less current liabilities	439,369	430,612	429,909	382,742

	As at 30 June 2009	As at 31 December 2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
Non-current liabilities				
Borrowings – unsecured	118	214	–	–
Obligations under finance leases				
– due after one year	343	441	885	526
Employee benefits	408	408	394	437
Deferred tax liabilities	11,662	11,662	10,285	11,606
	12,531	12,725	11,564	12,569
	426,838	417,887	418,345	370,173
Capital and reserves				
Share capital	37,975	37,975	37,975	37,975
Reserves	388,863	379,912	380,370	332,198
Equity attributable to equity holders of the Company	426,838	417,887	418,345	370,173
Minority interests	–	–	–	–
	426,838	417,887	418,345	370,173

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is the audited consolidated financial statements of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	7	729,045	795,909
Cost of sales		(635,633)	(662,766)
Gross profit		93,412	133,143
Other income	8	4,822	8,692
Distribution costs		(14,097)	(12,335)
Administrative expenses		(39,216)	(39,208)
Impairment loss on trade and other receivables		(27,932)	(2,977)
Other expenses		(3,338)	(612)
Finance costs	9	(121)	(86)
Profit before taxation	10	13,530	86,617
Taxation	12	(7,131)	(16,132)
Profit for the year attributable to equity holders of the Company		6,399	70,485
Dividends	13	7,595	9,494
Earnings per share (in Hong Kong cents):	14		
Basic		0.17	1.86
Diluted		0.16	1.76

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	*17*	130,944	102,354
Prepaid lease payments	*18*	1,672	1,628
Other intangible assets	*19*	290	632
Interest in a jointly controlled entity	*20*	–	(1,435)
Deposits for acquisition of property, plant and equipment		–	16,364
		132,906	119,543
Current assets			
Inventories	*21*	116,404	159,489
Trade and bills receivables	*22*	171,020	207,608
Prepaid lease payments	*18*	41	39
Prepayments, deposits and other receivables	*23*	5,240	29,467
Bank balances and cash	*24*	127,797	59,374
		420,502	455,977
Current liabilities			
Trade and bills payables	*25*	100,113	113,207
Other payables and accruals	*26*	16,413	22,028
Tax payable		4,057	9,902
Borrowings – unsecured	*27*	1,769	–
Obligations under finance leases – due within one year	*28*	444	474
		122,796	145,611
Net current assets		297,706	310,366
Total assets less current liabilities		430,612	429,909

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Borrowings – unsecured	*27*	214	–
Obligations under finance leases			
– due after one year	*28*	441	885
Employee benefits	*29*	408	394
Deferred tax liabilities	*30*	11,662	10,285
		12,725	11,564
		417,887	418,345
Capital and reserves			
Share capital	*31*	37,975	37,975
Reserves		379,912	380,370
Equity attributable to equity holders of the Company		417,887	418,345
Minority interests		–	–
		417,887	418,345

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital	Share premium	Contributed surplus (Note)	Share-based compensation reserve	Property revaluation reserve	Foreign exchange reserve	Proposed final dividend	Accumulated profits	Equity attributable to shareholders of the Company	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	37,975	169,876	5,800	7,748	952	(1,184)	17,089	131,917	370,173	–	370,173
Deficit on revaluation of property	–	–	–	–	(383)	–	–	–	(383)	–	(383)
Exchange realignments	–	–	–	–	–	855	–	–	855	–	855
Net income (expense) recognised directly in equity	–	–	–	–	(383)	855	–	–	472	–	472
Profit for the year representing total recognised income and expense for the year	–	–	–	–	–	–	–	70,485	70,485	–	70,485
Final 2006 dividend paid	–	–	–	–	–	–	(17,089)	–	(17,089)	–	(17,089)
Interim 2007 dividend paid	–	–	–	–	–	–	–	(5,696)	(5,696)	–	(5,696)
Final 2007 dividend proposed	–	–	–	–	–	–	3,798	(3,798)	–	–	–
At 31 December 2007 and 1 January 2008	37,975	169,876	5,800	7,748	569	(329)	3,798	192,908	418,345	–	418,345
Deficit on revaluation of property	–	–	–	–	(569)	–	–	–	(569)	–	(569)
Exchange realignments	–	–	–	–	–	1,307	–	–	1,307	–	1,307
Net income (expense) recognised directly in equity	–	–	–	–	(569)	1,307	–	–	738	–	738
Profit for the year representing total recognised income and expense for the year	–	–	–	–	–	–	–	6,399	6,399	–	6,399
Final 2007 dividend paid	–	–	–	–	–	–	(3,798)	–	(3,798)	–	(3,798)
Interim 2008 dividend paid	–	–	–	–	–	–	–	(3,797)	(3,797)	–	(3,797)
Final 2008 dividend proposed	–	–	–	–	–	–	3,798	(3,798)	–	–	–
Share option forfeited by employee	–	–	–	(408)	–	–	–	408	–	–	–
At 31 December 2008	37,975	169,876	5,800	7,340	–	978	3,798	192,120	417,887	–	417,887

Note: The contributed surplus of the Group represents the difference between the nominal value of the shares of the former group's holding company acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	13,530	86,617
Adjustments for:		
Interest income	(634)	(1,043)
Interest expenses	121	86
Impairment loss on property, plant and equipment	2,938	–
Depreciation of property, plant and equipment	25,962	20,846
Amortisation of other intangible assets	357	461
Amortisation of prepaid lease payments	41	39
Amortisation of deferred income	–	(482)
Write-down of inventories	917	536
Impairment loss on other receivables	19,585	–
Impairment loss on trade receivables	8,347	2,977
Write off of trade receivables	400	612
Reversal of impairment loss on trade receivables	(54)	(1,250)
Revaluation deficit on leasehold buildings	2,131	–
Gain on disposal of a subsidiary	(478)	–
Write off of property, plant and equipment	102	–
Loss on disposal of property, plant and equipment	–	28
Operating profit before working capital changes	73,265	109,427
Decrease (increase) in inventories	42,168	(3,631)
Decrease (increase) in trade and bills receivables	27,861	(52,602)
Decrease (increase) in prepayments, deposits and other receivables	4,642	(22,009)
(Decrease) increase in trade and bills payables	(13,094)	8,786
(Decrease) increase in other payables and accruals	(5,615)	5,446
Increase (decrease) in employee benefits	14	(43)
Cash generated from operations	129,241	45,374
Income taxes paid	(11,599)	(12,880)
NET CASH FROM OPERATING ACTIVITIES	117,642	32,494

	2008 *HK$'000*	2007 *HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(43,083)	(20,717)
Net cash flow from disposal of a subsidiary	(14)	–
Additions to intangible assets	(15)	(62)
Interest received	634	1,043
Proceeds from disposal of property, plant and equipment	–	141
Deposits paid for acquisition of property, plant and equipment	–	(16,364)
NET CASH USED IN INVESTING ACTIVITIES	(42,478)	(35,959)
FINANCING ACTIVITIES		
Dividends paid	(7,595)	(22,785)
Repayment of obligations under finance leases	(474)	(420)
Interest paid on obligations under finance leases	(76)	(86)
Interest paid on borrowings	(45)	–
Repayment of borrowings	(17)	–
New borrowings raised	2,000	–
NET CASH USED IN FINANCING ACTIVITIES	(6,207)	(23,291)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	68,957	(26,756)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	59,374	86,588
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(534)	(458)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	127,797	59,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

1. General

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

Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business is at 26/F, CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

Hong Kong Accounting Standards ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation ("Int") 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

1 *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.*

2 *Effective for annual periods beginning on or after 1 January 2009.*

3 *Effective for annual periods beginning on or after 1 July 2009.*

4 *Effective for annual periods beginning on or after 1 July 2008.*

5 *Effective for annual periods beginning on or after 1 October 2008.*

6 *Effective for transfers of assets from customers received on or after 1 July 2009.*

7 *Effective for annual periods ending on or after 30 June 2009.*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company have anticipated that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis, except for certain leasehold buildings and financial instrument, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of a jointly controlled entity are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in a jointly controlled entity is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interests in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Service income is recognised when service is rendered.

Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Other property, plant and equipment (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Other intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interest in a jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Employee benefits

(i) Defined contribution retirement benefits plans

Obligations for contributions to defined contribution retirement benefits plan are recognised as an expense in the consolidated income statement when employees have rendered services entitling them to the contributions.

(ii) Termination benefits

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

(iii) Employee entitlements

Employee entitlements to annual leave and long service payment are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and bills receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, borrowings, obligations under finance leases and employee benefits are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share-based compensation reserve.

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

Share options granted to suppliers and other eligible persons

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

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Prepaid lease payments

Prepaid lease payments in respect of leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and amortised over the period of the lease on a straight-line basis to the consolidated income statement.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the foreign exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Impairment losses on tangible assets and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. Key sources of estimation uncertainty

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

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

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

Depreciation of property, plant and equipment

The Group's carrying value of property, plant and equipment as at 31 December 2008 was approximately HK$130,944,000. The Group depreciates the property, plant and equipment on a straight-line basis at the rate of 2% – 30% per annum, commencing from the date the property, plant and equipment are available for use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Impairment on trade and other receivables

The policy for impairment of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of the trade and other receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional impairment may be required.

Write-down on inventories

The management of the Group reviews an ageing analysis at each balance sheet date, and makes provision for obsolete and slow-moving inventory items identified. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

Estimate of fair value of leasehold buildings

As described in note 17, the Group's leasehold buildings were revalued at the balance sheet date on an open market value basis by independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

5. Capital risk management

The Group's capital risk management objectives are:

– to ensure the Group's ability to continue as a going concern
– to maximise the return to shareholders

The directors of the Company consider the Group's capital comprise equity, which includes share capital and reserves, borrowings and bank balances and cash and will conduct review to balance its overall capital structure periodically. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, new shares issue as well as share options. The directors of the Company will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

The directors of the Company also endeavour to ensure the steady and reliable cash flow from the normal business operation. The Group's overall strategy remains unchanged from prior year.

6. Financial instruments

(a) Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Trade and bills receivables	171,020	207,608
Deposits and other receivables	1,996	5,141
Bank balances and cash	127,797	59,374
	300,813	272,123
Financial liabilities		
At amortised cost		
Trade and bills payables	100,113	113,207
Other payables and accruals	9,773	14,054
Borrowings – unsecured	1,983	–
Obligations under finance leases	885	1,359
Employee benefit	408	394
	113,162	129,014

(b) Financial risk management objective and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, bank balances and cash, trade and bills payables, other payables and accruals, borrowings, obligations under finance leases and employee benefits. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, currency risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2008 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables as they spread all over the world. The turnover by geographic segments are disclosed in note 7. The marketing team is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt with the help from the finance team. In addition, regular reports are produced for each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk can be reduced. The concentration of credit risk is limited due to the customer base being large and unrelated.

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

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States Dollar ("USD")	91,744	76,953	6,945	12,578
Renminbi ("RMB")	93,441	70,113	66,801	66,894
New Taiwan Dollar ("NTD")	–	203	–	157
Euro ("EUR")	125	3,656	–	10
Japanese Yen ("JPY")	5	9	665	999

Sensitivity analysis

The Group is mainly exposed to the currency of USD/RMB/NTD/EUR/JPY.

The following table details the Group's sensitivity to a 10% (2007: 5%) increase and decrease in HKD against the relevant foreign currencies. 10% (2007: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As a result of the volatile financial market in 2008, the management adjusted the sensitively rate from 5% to 10% for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 10% (2007: 5%) change in foreign currency rates.

A positive number below indicates an increase in post-tax profit where HKD strengthen 10% (2007: 5%) against the relevant currency. For a 10% (2007: 5%) weakening of HKD against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	USD		RMB		NTD		EUR		JPY	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit or loss	(8,480)	(3,219)	(2,664)	(161)	–	(2)	(13)	(182)	66	50

Interest rate risk

The main source of financing of the Group is internally generated cash.

The Group's cash flow interest rate risk primarily relates to variable-rate bank borrowings (see note 27 for details of these borrowings), and fixed rate obligations under finances leases in which the interest rate are fixed at the inception of the leases. (see note 28 for details of the finance leases).

The Group's fair value interest rate risk relates primarily to the fixed-rate obligations under finance leases.

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

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the cash, current working capital and the raising of funds from issue of shares of the Company and underlying interests in shares of the Company, subject to approval by the Company's shareholders, if necessary. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2008						
Non-derivative financial liabilities						
Trade and bills payables	100,113	–	–	–	100,113	100,113
Other payables and accruals	9,773	–	–	–	9,773	9,773
Obligations under finance leases	498	243	303	–	1,044	885
Borrowings	1,857	221	–	–	2,078	1,983
Employee benefits	–	–	77	434	511	408
	112,241	464	380	434	113,519	113,162
31 December 2007						
Non-derivative financial liabilities						
Trade and bills payables	113,207	–	–	–	113,207	113,207
Other payables and accruals	14,054	–	–	–	14,054	14,054
Obligations under finance leases	550	499	545	–	1,594	1,359
Employee benefits	–	–	59	438	497	394
	127,811	499	604	438	129,352	129,014

(c) Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment, and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products. Details of the business segments are as follows:

a) Electronic product segment engages in the manufacture and trading of electronic and electrical parts and components.

b) Lighter product segment engages in the design, manufacture and sale of cigarette lighters and related accessories.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

For the year ended 31 December:

	Electronic products		Lighter products		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	588,294	658,777	140,751	137,132	729,045	795,909
Other income	455	1,115	3,733	6,534	4,188	7,649
Total segment revenue	588,749	659,892	144,484	143,666	733,233	803,558
Segment results	27,241	89,632	(12,793)	(2,178)	14,448	87,454
Unallocated corporate income					634	1,043
Unallocated expenses					(1,431)	(1,794)
Finance costs					(121)	(86)
Profit before taxation					13,530	86,617
Taxation					(7,131)	(16,132)
Profit for the year					6,399	70,485

	Electronic products		Lighter products		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December:						
Segment assets	376,620	457,432	48,424	59,717	425,044	517,149
Interest in a jointly controlled entity	–	–	–	(1,435)	–	(1,435)
Unallocated assets					128,364	59,806
Total assets					553,408	575,520
Segment liabilities	96,668	114,659	21,438	20,128	118,106	134,787
Unallocated liabilities					17,415	22,388
Total liabilities					135,521	157,175
For the year ended 31 December						
Other segment information:						
Capital expenditures	58,386	17,958	1,076	5,357	59,462	23,315
Depreciation and amortisation	22,673	16,260	3,687	5,086	26,360	21,346
Write-down of inventories	245	536	672	–	917	536
Impairment loss on other receivables	19,585	–	–	–	19,585	–
Impairment loss on trade receivables	2,128	1,918	6,219	1,059	8,347	2,977
Gain on disposal of a subsidiary	–	–	(478)	–	(478)	–
Write off of trade receivables	400	–	–	612	400	612
Reversal of impairment loss on trade receivables	–	–	(54)	(1,250)	(54)	(1,250)
Impairment loss on property, plant and equipment	–	–	2,938	–	2,938	–
Revaluation deficit on leasehold buildings						
– charged to income statement	–	–	2,131	–	2,131	–
– charged to statement of changes in equity	–	–	569	383	569	383
Loss on disposal of property, plant and equipment	–	–	102	28	102	28

(b) Geographical segments

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		Elsewhere in the People's Republic of China (the "PRC")		Asia Pacific		Latin America		Others		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December												
Segment revenue:												
Sales to external customers	178,309	200,147	399,472	439,661	63,118	81,749	46,276	14,025	41,870	60,327	729,045	795,909
Other income	3,439	6,588	749	142	–	–	–	–	–	919	4,188	7,649
Total segment revenue	181,748	206,735	400,221	439,803	63,118	81,749	46,276	14,025	41,870	61,246	733,233	803,558
Other segment information:												
As at 31 December												
Segment assets	303,684	312,697	248,242	261,107	1,482	1,716	–	–	–	–	553,408	575,520
For the year ended 31 December												
Capital expenditures	528	1,375	58,934	21,940	–	–	–	–	–	–	59,462	23,315

8. Other income

	2008	**2007**
	HK$'000	*HK$'000*
Freight charge income	1,137	1,765
Gain on disposal of a subsidiary	478	–
Interest income	634	1,043
Reversal of impairment loss on trade receivables	54	1,250
Waiver of long outstanding trade payables	654	–
Amortisation of deferred income	–	482
Exchange gain, net	–	760
Others	1,865	3,392
	4,822	8,692

9. Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	45	–
Obligations under finance leases	76	86
	121	86

10. Profit before taxation

Profit before taxation has been arrived at after charging:

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	635,633	662,766
Staff costs *(note 11)*	24,647	22,768
Depreciation of property, plant and equipment		
– owned assets	25,250	20,146
– assets held under finance leases	712	700
Amortisation of other intangible assets	357	461
Amortisation of prepaid lease payments	41	39
Auditor's remuneration	660	680
Write-down of inventories (included in cost of sales)	917	536
Exchange losses, net	257	–
Impairment loss on property, plant and equipment (included in other expenses)	2,938	–
Revaluation deficit on leasehold buildings	2,131	–
Write off of trade receivables (included in other expenses)	400	612
Write off of property, plant and equipment	102	–
Loss on disposal of property, plant and equipment	–	28

11. Staff costs

	2008	**2007**
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments) comprise:		
Salaries and welfare	23,716	22,223
Retirement benefits scheme contributions	427	425
Provision for other employee benefits and long service payments	504	120
	24,647	22,768

12. Taxation

The amount of taxation in the consolidated income statement represents:

	2008	**2007**
	HK$'000	*HK$'000*
Current tax – provision for Hong Kong Profits Tax		
– charge for the year	5,778	16,758
– (over) under-provision in prior years	(24)	695
	5,754	17,453
Deferred tax *(Note 30)*		
– current year	1,965	(1,321)
– attributable to a change in tax rate	(588)	–
	1,377	(1,321)
	7,131	16,132

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax of the Group's subsidiary in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

No provision for taxation in other jurisdictions for both years has been made in the consolidated financial statements as neither the Company nor any of its subsidiaries had any assessable profits subject to tax in other jurisdictions.

Taxation for the year can be reconciled to the profit per the consolidated income statement as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Profit before taxation	13,530	86,617
Tax calculated at the domestic income tax rate of 16.5% (2007: 17.5%)	2,232	15,158
Tax effect of expenses that are not deductible in determining taxable profit	5,135	430
Tax effect of income that is not taxable in determining taxable profit	(880)	(171)
Tax effect of utilisation of tax losses not previously recognised	(206)	(401)
Tax effect of tax losses and other deductible temporary differences not recognised	1,462	421
Decrease in opening deferred tax liability resulting from an decrease in Hong Kong Profits tax rate	(588)	–
(Over) under-provision in prior years	(24)	695
Taxation	7,131	16,132

13. Dividends

	2008	**2007**
	HK$'000	*HK$'000*
Interim dividend of HK0.10 cent (2007: HK0.15 cent) per share	3,797	5,696
Proposed final dividend of HK0.10 cent (2007: HK0.10 cent) per share	3,798	3,798
	7,595	9,494

The directors recommended a final dividend of HK0.10 cent per share (2007: HK0.10 cent per share). This proposed dividend is reflected as an appropriation of accumulated profits for the year ended 31 December 2008 and is subject to approval by the shareholders in general meeting.

14. Earnings per share

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity holders of the Company for the year of approximately HK$6,399,000 (2007: HK$70,485,000) and the following data:

Weighted average number of ordinary shares for the calculation of diluted earnings per share:

	2008	**2007**
	Number of shares '000	*Number of shares '000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,797,500	3,797,500
Effect of deemed issue of shares under the Company's Share Option Scheme for the year	137,368	206,229
Weighted average number of ordinary shares for the calculation of diluted earnings per share	3,934,868	4,003,729

The weighted average numbers of ordinary shares for the purpose of basic earnings per share and diluted earnings per share for the year ended 31 December 2007 have been adjusted for the share subdivision on 19 December 2007. *(Note 31(b))*

The calculation of diluted earnings per share for the year ended 31 December 2008 did not assume the exercise of the Company's warrants as the exercise price of the warrants was higher than the average market price for shares.

15. Directors' emoluments

The aggregate amounts of the directors' emoluments, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

For the year ended 31 December 2008

Name of director	Fees	Salaries, allowances and benefits	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Lam Yat Keung	–	1,413	12	1,425
Lam Pik Wah	–	1,166	12	1,178
Lam Hung Kit	–	814	12	826
Independent Non-Executive Directors				
Lo Wah Wai	90	–	–	90
Ho Chi Fai	90	–	–	90
Pai Te Tsun	90	–	–	90
	270	3,393	36	3,699

For the year ended 31 December 2007

Name of director	Fees	Salaries, allowances and benefits	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Lam Yat Keung	–	1,170	12	1,182
Lam Pik Wah	–	1,040	12	1,052
Lam Hung Kit	–	698	12	710
Independent Non-Executive Directors				
Lo Wah Wai	90	–	–	90
Ho Chi Fai	90	–	–	90
Pai Te Tsun	90	–	–	90
	270	2,908	36	3,214

During the two years ended 31 December 2008 and 2007, no directors waived or agreed to waive any emoluments.

16. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2007: three) were directors of the Company whose emoluments are included in the disclosures in note 15 above. The emoluments of the remaining two (2007: two) individuals were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	2,480	2,480
Retirement benefits scheme contributions	16	12
	2,496	2,492

Their emoluments were within the following band:

	Number of employees	
	2008	**2007**
HK$1,000,001 to HK$1,500,000	2	2

During the two years ended 31 December 2008 and 2007, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

17. Property, plant and equipment

	Leasehold buildings *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvements and others *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST OR VALUATION					
At 1 January 2007	10,500	136,163	21,870	374	168,907
Exchange realignment	759	335	65	27	1,186
Additions	–	20,506	2,064	683	23,253
Disposals	–	(274)	(349)	–	(623)
Deficit on revaluation	(608)	–	–	–	(608)
At 31 December 2007 and 1 January 2008	10,651	156,730	23,650	1,084	192,115
Exchange realignment	556	132	100	57	845
Additions	–	52,705	6,742	–	59,447
Write off	–	–	–	(102)	(102)
Deficit on revaluation	(2,937)	–	–	–	(2,937)
At 31 December 2008	8,270	209,567	30,492	1,039	249,368
Comprising:					
At cost	–	209,567	30,492	1,039	241,098
At valuation	8,270	–	–	–	8,270
	8,270	209,567	30,492	1,039	249,368
DEPRECIATION AND IMPAIRMENT					
At 1 January 2007	–	64,483	5,111	–	69,594
Depreciation charged for the year	225	17,534	3,087	–	20,846
Eliminated on disposals	–	(208)	(246)	–	(454)
Write back on revaluation	(225)	–	–	–	(225)
At 31 December 2007 and 1 January 2008	–	81,809	7,952	–	89,761
Depreciation charged for the year	237	21,278	4,447	–	25,962
Write back on revaluation	(237)	–	–	–	(237)
Impairment loss recognised	–	2,900	38	–	2,938
At 31 December 2008	–	105,987	12,437	–	118,424
CARRYING VALUES					
At 31 December 2008	8,270	103,580	18,055	1,039	130,944
At 31 December 2007	10,651	74,921	15,698	1,084	102,354

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

Leasehold buildings	2% to 4%
Plant and machinery	10% to 30%
Leasehold improvement and others	10% to 30%

The carrying amount of the Group's motor vehicles (grouped under leasehold improvements and others) includes an amount of approximately HK$938,000 (2007: HK$1,650,000) in respect of assets acquired under finance leases.

The Group's leasehold buildings in the PRC were revalued at 31 December 2008 by Messrs. Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, on an open market value basis. Messrs. Dynasty Premium Asset Valuation & Real Estate Consultancy Limited is not connected with the Group.

Had the revaluated leasehold building been measured on a historical cost basis, their net carrying values would have been HK$10,298,000 (2007: HK$10,012,000).

The analysis of the net carrying value of properties is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Leasehold buildings outside Hong Kong:		
Long-term lease	8,270	10,651

During the year, the director conducted a review of the Group's plant and machinery, leasehold improvements and others and determined that a number of those assets were impaired, due to physical damage. Accordingly, impairment losses of approximately HK$2,900,000 and HK$38,000 have been recognised in respect of plant and machinery, leasehold improvements and others, which are used in the Group's lighter products segments.

18. Prepaid lease payments

The Group's prepaid lease payments comprise:

	2008	2007
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong:		
Medium-term lease	1,713	1,667
Analysed for reporting purpose as:		
Current asset	41	39
Non-current asset	1,672	1,628
	1,713	1,667

Movements in prepaid lease payments during the year are set out below:

	2008	2007
	HK$'000	*HK$'000*
At 1 January	1,667	1,590
Exchange difference	87	116
	1,754	1,706
Amortisation for the year	(41)	(39)
At 31 December	1,713	1,667

19. Other intangible assets

	Trademark and patents
	HK$'000
COST	
At 1 January 2007	5,623
Additions	62
At 31 December 2007 and 1 January 2008	5,685
Additions	15
At 31 December 2008	5,700
AMORTISATION AND IMPAIRMENT	
At 1 January 2007	4,592
Amortisation	461
At 31 December 2007 and 1 January 2008	5,053
Amortisation	357
At 31 December 2008	5,410
CARRYING VALUES	
At 31 December 2008	290
At 31 December 2007	632

Amortisation is calculated to write off the cost of trademarks and patents over its estimated useful life, using the straight-line method over periods not exceeding five years.

20. Interest in a jointly controlled entity

	2008	2007
	HK$'000	*HK$'000*
Cost of investment	–	41,480
Share of post-acquisition loss, net of dividends received	–	(41,480)
Deferred income	–	(1,435)
	–	(1,435)

Deferred income arising from sales of production machinery and moulds to the jointly controlled entity was amortised over 5 to 10 years, which approximated the useful lives of the machinery and moulds.

During the year ended 31 December 2008, the Group disposed of one subsidiary, Tak Fi Brothers Limited, which held the interest in the jointly controlled entity. Accordingly, the Group's entire 50% interest in a jointly-controlled entity in the PRC, Shangdong Luneng Plastics & Metal Mfy. Co. Ltd., has been disposed of with Tak Fi Brothers Limited as set out in note 34.

Particulars of the Group's jointly controlled entity at 31 December 2007 are as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Class of equity interest held	Percentage of paid-up capital held by the Group	Principal activities
Shangdong Luneng Plastics & Metal Mfy. Co., Ltd.	Corporation	PRC	Contributed capital	50%	Manufacturing of cigarette lighters and lighter parts

The Group's entitlement to share in the profits of its jointly controlled entity is in proportion to its ownership interest.

The summarised unaudited financial information in respect of the jointly controlled entity which is accounted for using the equity method is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Total assets	–	29,274
Total liabilities	–	(42,600)
Net liabilities	–	(13,326)
The Group's share of net liabilities	–	–
Revenue	15,789	34,927
Loss for the period/year	(1,635)	(5,311)
The Group's share of result of the jointly controlled entity for the year	–	–

The Group has discontinued recognition of its share of losses of its jointly controlled entity for the year ended 31 December 2007.

The amounts of unrecognised share of this entity, for the period from 1 January 2008 to 30 June 2008 and the year ended 31 December 2007 and cumulatively, are as follows:

	From 1 January 2008 to 30 June 2008	**2007**
	HK$'000	*HK$'000*
Unrecognised share of losses:		
– arising during the period/year	(818)	(2,656)
– accumulated	(8,236)	(7,418)

21. Inventories

	2008	**2007**
	HK$'000	*HK$'000*
Raw materials	36,646	54,581
Work-in-progress	6,502	11,496
Finished goods	73,256	93,412
	116,404	159,489

22. Trade and bills receivables

The Group allows an average credit period of 30 to 120 days to its trade customers.

	2008	**2007**
	HK$'000	*HK$'000*
Trade and bills receivables	181,943	214,298
Less: Accumulated impairment	(10,923)	(6,690)
	171,020	207,608

Included in trade and bills receivables at 31 December 2007 was a balance of HK$949,000 due from the jointly controlled entity of the Group, which was unsecured, interest-free and repayable on demand (2008: nil).

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

The following is an aged analysis of trade and bills receivables net of impairment at the balance sheet date:

	2008	**2007**
	HK$'000	*HK$'000*
Within 3 months	152,853	203,160
4-6 months	18,130	3,207
7-12 months	2	1,241
Over 12 months	35	–
	171,020	207,608

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$57,883,000 (2007: HK$105,408,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Ageing of trade receivables which are past due but not impaired:

	2008	**2007**
	HK$'000	*HK$'000*
Within 3 months	39,716	102,512
4-6 months	18,130	2,705
7-12 months	2	191
Over 12 months	35	–
Total	57,883	105,408

Movement in the impairment on trade receivables:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	6,690	4,963
Increase in impairment on trade receivables	8,347	2,977
Amount written off as uncollectible	(4,060)	–
Amount recovered during the year	(54)	(1,250)
Balance at the end of the year	10,923	6,690

Included in the impairment on trade receivables are individually impaired trade receivables with an aggregate balance of HK$10,923,000 (2007: HK$6,690,000) since the management considered the prolonged outstanding balances were uncollectible. The Group does not hold any collateral over these balances.

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

	2008	2007
	'000	*'000*
USD	4,361	5,666
RMB	79,197	64,373
NTD	–	812

23. Prepayments, deposits and other receivables

At 31 December 2008, included in prepayments, deposits and other receivables are the following amounts denominated in currencies other than the functional currency of the Group:

	2008	2007
	'000	*'000*
USD	112	2,714
RMB	2,344	2,872

Movement in the impairment on other receivables:

	2008	**2007**
	HK$'000	*HK$'000*
Balance at beginning of the year	–	–
Impairment loss recognised during the year	19,585	–
Balance at the end of the year	19,585	–

Included in the impairment on other receivables are individually impaired other receivables with an aggregate balance of HK$19,585,000 (2007: nil) since the management considered the prolonged outstanding balances were uncollectible. The Group does not hold any collateral over these balances.

24. Bank balances and cash

	2008	**2007**
	HK$'000	*HK$'000*
Deposits with maturity at inception of less than one month	40,729	22,252
Cash at bank and in hand	87,068	37,122
	127,797	59,374

Deposits with banks with maturity at inception of less than one month carry interest at market rates of 0.3% to 1.7% (2007: 2% to 4%) per annum.

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

	2008	**2007**
	'000	*'000*
USD	7,354	1,383
RMB	1,281	447
EUR	11	318

25. Trade and bills payables

The following is an aged analysis of trade and bills payables at the balance sheet date:

	2008	**2007**
	HK$'000	*HK$'000*
Within 3 months	56,278	68,960
4-6 months	28,811	20,233
7-12 months	14,083	23,569
13-24 months	745	404
Over 24 months	196	41
	100,113	113,207

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

	2008	**2007**
	'000	*'000*
USD	641	1,117
RMB	51,388	51,153
NTD	–	653
JPY	7,736	14,819

26. Other payables and accruals

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

	2008	**2007**
	'000	*'000*
USD	254	497
RMB	7,822	12,464
EUR	–	1

27. Borrowings – unsecured

	2008	**2007**
	HK$'000	*HK$'000*
Bank borrowing *(note a)*	433	–
Other borrowing *(note b)*	1,550	–
	1,983	–
Carrying amount repayable:		
Within one year	1,769	–
More than one year, but not exceeding five years	214	–
	1,983	–
Less: Amounts due within one year shown under current liabilities	(1,769)	–
	214	–

Notes:

a. Bank borrowing is guaranteed by the directors of a subsidiary of the Company, Mr. Sher Tak Chi and Ms. Kang Hsiao Fang, and carrys interest at Prime Lending Rate plus 1.5% per annum.

b. Other borrowing is guaranteed by Mr. Sher Tak Chi, a director of a subsidiary of the Company, and carrys a fixed interest rate at 9% per annum.

28. Obligations under finance leases

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average leases term is approximately 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.18% to 7.5%.

	Minimum lease payments		Present value of minimum lease payments	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases repayable:				
Within one year	498	550	444	474
In the second to fifth year inclusive	546	1,044	441	885
	1,044	1,594	885	1,359
Less: Future finance charges	(159)	(235)	N/A	N/A
Present value of lease obligations	885	1,359	885	1,359
Less: Amounts due within one year shown under current liabilities			(444)	(474)
Amounts due after one year			441	885

The Group leases motor vehicles for its business operation.

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

29. Employee benefits

	2008	2007
	HK$'000	*HK$'000*
Liabilities for employee benefit comprise:		
Annual leave payments accrual	2,235	1,745
Long service payments accrual *(note 38)*	408	394
	2,643	2,139
Categorised as:		
Due within one year or less (included in other payables and accruals)	2,235	1,745
Due more than one year, disclosed under non-current liabilities	408	394
	2,643	2,139

30. Deferred tax liabilities

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Impairment on trade receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	12,166	(560)	11,606
Credited to the consolidated income statement for the year	(985)	(336)	(1,321)
At 31 December 2007 and 1 January 2008	11,181	(896)	10,285
Charged to the consolidated income statement for the year	1,646	319	1,965
Effect of change in tax rate	(639)	51	(588)
At 31 December 2008	12,188	(526)	11,662

At the balance sheet date, the Group has unused estimated tax losses and other deductible temporary differences of approximately HK$24,709,000 (2007: HK$18,089,000) and HK$992,000 (2007: nil) respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses and other deductible temporary differences due to the unpredictability of future profits streams. Included in unrecognised tax losses are losses of approximately HK$5,445,000 (2007: nil) that will expire in 2013. Other losses may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

31. Share capital

	Authorised ordinary shares	
	Number of shares	*HK$'000*
At 1 January 2007, HK$0.10 each	800,000,000	80,000
Increase in authorised share capital *(note a)*	400,000,000	40,000
Subdivision of share of HK$0.10 each into ten shares of HK$0.01 each *(note b)*	10,800,000,000	–
At 31 December 2007, 1 January 2008, 31 December 2008, HK$0.01 each	12,000,000,000	120,000

	Issued and fully paid ordinary shares	
At 1 January 2007, HK$0.10 each	379,750,000	37,975
Subdivision of shares *(note b)*	3,417,750,000	–
At 31 December 2007, 1 January 2008, HK$0.01 each	3,797,500,000	37,975
Share issued upon exercise of warrants *(note c)*	100	–
At 31 December 2008, HK$0.01 each	3,797,500,100	37,975

Notes:

(a) Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 18 December 2007, the authorised share capital of the Company was increased from HK$80,000,000 to HK$120,000,000 by the creation of an additional 400,000,000 shares of HK$0.10 each in the capital of the Company.

(b) Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 18 December 2007, every share of HK$0.10 each in the issued and unissued share capital of the Company was subdivided into 10 shares of HK$0.01 each (the "Share Subdivision"). The Share Subdivision becomes effective on 19 December 2007.

(c) A bonus issue of warrants on the basis of one warrant for every five shares held was proposed by the Board of the Company on 18 December 2007. The condition of the issue of the bonus warrants was fulfilled on 19 December 2007 and 759,500,000 warrants were issued on 3 January 2008. The warrant holders were entitled to subscribe in cash for one fully paid share at an initial subscription price of HK$0.48 per share, subject to adjustment, at any time from 3 January 2008 to 2 January 2010 (or if that day is not a business day, the business day immediately proceeding that day) (both days inclusive). During the year ended 31 December 2008, 100 warrants were converted into 100 ordinary shares at a subscription price of HK$0.48 per share and rank pari passu with other shares in issue in all respects. Accordingly 759,499,900 warrants were outstanding at 31 December, 2008. Exercise in full of the outstanding warrants would result in the issue of 759,499,900 additional shares with an aggregate subscription value of HK$364,559,952.

32. Share option scheme

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

The Share Option Scheme will expire on 27 November 2012. Pursuant to the terms of the Share Option Scheme, the directors of the Company may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up options to subscribe for shares:

(a) any eligible employee;

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

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

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

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

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

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

The basis of eligibility of any of the above class of Participants to the grant of any options shall be determined by the directors of Company from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity.

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and the other schemes shall not exceed 10% of the shares in issue at the date on which the Share Option Scheme becomes unconditional.

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

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

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

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

At 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 359,750,000 (2007: 379,750,000) representing 9.47% (2007: 10%) of the shares of the Company in issue at that date.

The following tables disclosed the movements of the Company's share options for years ended 31 December 2008 and 2007:

For the year ended 31 December 2008:

					Number of share options			
Participants	**Date of grant**	**Previous exercise price per share**	**Adjusted exercise price per share** *(Note)*	**Outstanding at 1 January 2008**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 December 2008**
Employees	5 August 2006	HK$1.246	HK$0.1246	114,000,000	–	–	(20,000,000)	94,000,000
Customers, suppliers and other eligible persons	5 August 2006	HK$1.246	HK$0.1246	265,750,000	–	–	–	265,750,000
				379,750,000	–	–	(20,000,000)	359,750,000

Note: During the year ended 31 December 2007, there was subdivision of share of HK$0.10 each into ten shares of HK$0.01 share. Accordingly, the exercise price per share was adjusted from HK$1.246 to HK$0.1246.

During the year ended 31 December 2008, 20,000,000 share options granted to eligible participants under the scheme were lapsed. No option was granted under the Share Option Scheme during the year ended 31 December 2008.

For the year ended 31 December 2007:

					Number of share options			
Participants	**Date of grant**	**Previous exercise price per share**	**Adjusted exercise price per share**	**Outstanding at 1 January 2007**	**Effect of Share Subdivision**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 December 2007**
Employees	5 August 2006	HK$1.246	HK$0.1246	11,400,000	102,600,000	–	–	114,000,000
Customers, suppliers and other eligible persons	5 August 2006	HK$1.246	HK$0.1246	26,575,000	239,175,000	–	–	265,750,000
				37,975,000	341,775,000	–	–	379,750,000

No option was cancelled and lapsed during the year ended 31 December 2007.

33. Balance sheet of the Company

	2008	2007
	HK$'000	*HK$'000*
Non-current asset		
Investments in subsidiaries	71,561	83,916
Current assets		
Prepayments, deposits and other receivables	568	432
Amounts due from subsidiaries	172,535	188,074
Bank balances and cash	46,583	26,267
	219,686	214,773
Current liability		
Other payables and accruals	378	841
Net current assets	219,308	213,932
	290,869	297,848
Capital and reserves		
Share capital	37,975	37,975
Share premium	169,876	169,876
Contributed surplus	62,315	62,315
Share-based compensation reserve	7,340	7,748
Accumulated profits	9,565	16,136
Proposed final dividends	3,798	3,798
	290,869	297,848

34. Disposal of a subsidiary

During the year ended 31 December 2008, the Group disposed of the entire interests held in Tak Fi Brothers Limited at a cash consideration of HK$15.50 to an independent third party.

The net liabilities of the subsidiary at the date of disposal were as follows:

	2008
	HK$'000
Net liabilities disposed of:	
Trade and bills receivables	34
Bank balances and cash	14
Deferred income in a jointly controlled entity	(1,435)
	(1,387)
Exchange reserve	909
Net gain on disposal	478
Total consideration	–
Net cash outflow arising on disposal	
Cash received	–
Bank balances and cash disposed of	(14)
	(14)

During the year ended 31 December 2008, the disposed subsidiary contributed to a loss of approximately HK$7,000 to the Group's profit, generated approximately HK$4,000 to the Group's net operating cash inflows and did not generate any cash flow from investing activities and financing activities. No turnover was generated for the year.

35. Major non-cash transaction

During the year ended 31 December 2007, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of approximately HK$980,000. No major non-cash transaction occurred during the year ended 31 December 2008.

36. Lease commitments

The Group as lessee

	2008 *HK$'000*	2007 *HK$'000*
Lease payments paid under operating leases during the year	9,999	9,394

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 *HK$'000*	2007 *HK$'000*
Within one year	7,091	5,314
In the second to fifth year inclusive	16,599	6,674
Over five years	1,584	3,168
	25,274	15,156

Operating lease payments represent rentals payable by the Group for certain of its godowns, office and production plant. Leases are negotiated for terms ranging from one to eight years. Rentals are fixed over the terms of respective leases.

37. Capital commitments

	2008 *HK$'000*	2007 *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– Contracted but not provided for	790	12,320
– Authorised but not contracted for	–	2,563
	790	14,883

38. Retirement benefits obligations

	2008	**2007**
	HK$'000	*HK$'000*
Long service payments *(note 29)*	408	394

Long service payments

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

(a) Movement for the year:

	2008	**2007**
	HK$'000	*HK$'000*
At beginning of the year	394	437
Increase (decrease) in provision	14	(43)
At end of the year	408	394

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

	2008	**2007**
	%	*%*
Discount rate applied to long service payments obligations	8	8

39. Related party transactions

The remuneration of directors and other members of the key management during the year are given in notes 15 and 16 respectively. Other related party transactions and balances are as follows:

Related party relationship	Type of transactions	Transaction amount 2008 HK$'000	Transaction amount 2007 HK$'000	Amount due from 2008 HK$'000	Amount due from 2007 HK$'000
Jointly controlled entity	Purchase of finished goods	15,789	30,682	–	949
	Purchase of raw materials	–	372		
	Sales of raw materials	4,890	9,359		

40. Principal subsidiaries

Details of the Company's principal subsidiaries at 31 December 2008 are as follows:

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Century Talent Limited	Corporation	British Virgin Islands	US$100	100	–	Investment holding
Classic Line International Limited	Corporation	British Virgin Islands	US$16	100	–	Investment holding
Eversun Corporation Limited	Corporation	Hong Kong	HK$2	–	100	Trading of cigarette lighters
Fast Harvest Limited	Corporation	Hong Kong	HK$2	–	100	Provision of management service

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Key Legend Limited	Corporation	British Virgin Islands	US$2	100	–	Investment holding
Kingtech Industrial Limited	Corporation	Hong Kong	HK$1	–	100	Trading of cigarette lighters
Link Triumph Limited	Corporation	British Virgin Islands	US$1	–	100	Trading of cigarette lighters
Longnan County Poly Action Plastic & Metal Products Co., Limited *(Note)*	Corporation	PRC	US$5,700,000	–	100	Manufacturing of cigarette lighters and lighters parts
Polycity Enterprise Limited	Corporation	Hong Kong	HK$2	–	100	Trading of cigarette lighters
Profit Sharp Enterprise Limited	Corporation	British Virgin Islands	US$1	–	100	Investment holding
Semtech Electronics Limited	Corporation	Hong Kong	HK$1,000,000	–	100	Trademark holding
Semtech International (BVI) Limited	Corporation	British Virgin Islands	US$1	100	–	Investment holding
Semtech RFID Limited	Corporation	Hong Kong	HK$100	–	100	Not commenced business yet
Sharp Technology Limited	Corporation	British Virgin Islands	US$1	100	–	Investment holding

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Super Victory Enterprises Limited	Corporation	Hong Kong	HK$2	–	100	Manufacturing and trading of electronic and electrical parts and components
Supreme Gold Development Limited	Corporation	British Virgin Islands	US$100	52	–	Investment holding
SV Semiconductors Limited	Corporation	Hong Kong	HK$2	–	100	Inactive
Top Victory Industries Limited	Corporation	British Virgin Islands	US$1	100	–	Inactive
東莞泰豐射頻識別有限公司 *(Note)*	Corporation	PRC	US$1,500,000	–	100	Not commenced business yet

Note: The Company is a wholly owned foreign enterprise in the PRC.

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

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

41. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is the unaudited condensed consolidated financial statements of the Group together with a accompanying notes as extracted from the interim report of the Company for the six months ended 30 June 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended	
		30 June 2009 (Unaudited)	**30 June 2008 (Unaudited)**
	Notes	*HK$'000*	*HK$'000*
Turnover	*3*	283,208	381,689
Cost of sales		(242,945)	(329,980)
Gross profit		40,263	51,709
Other income		2,841	3,365
Distribution costs		(5,406)	(6,955)
Administrative expenses		(26,811)	(23,310)
Financial costs		(97)	(41)
Profit before tax		10,790	24,768
Income tax charge	*6*	(2,917)	(4,378)
Profit for the period		7,873	20,390
Attributable to:			
Owners of the Company		7,873	20,390
Non-controlling interests		–	–
		7,873	20,390
Earnings per share	*8*		
Basic		HK0.21 cent	HK0.54 cent
Diluted		HK0.21 cent	HK0.51 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June 2009 (Unaudited) *HK$'000*	30 June 2008 (Unaudited) *HK$'000*
Profit for the period	7,873	20,390
Other comprehensive income		
Exchange differences arising on translation of foreign operations	1,054	174
Gain (loss) on revaluation of property	24	(247)
Income tax relating to components of other comprehensive income	–	–
Other comprehensive income for the period (net of tax)	1,078	(73)
Total comprehensive income for the period	8,951	20,317
Total comprehensive income attributable to:		
Owners of the Company	8,951	20,317
Non-controlling interests	–	–
	8,951	20,317

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2009

	Notes	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		122,213	130,944
Prepaid lease payments		1,664	1,672
Other intangible assets		–	290
Deposits for acquisition of property, plant and equipment		597	–
		124,474	132,906
Current assets			
Inventories		105,454	116,404
Trade and bills receivables	10	173,901	171,020
Prepaid lease payments		41	41
Prepayments, deposits and other receivables		8,145	5,240
Financial assets at fair value through profit or loss		2,700	–
Cash in other financial institutions		18,802	–
Bank balances and cash		103,020	127,797
		412,063	420,502
Current liabilities			
Trade and bills payables	11	78,851	100,113
Other payables and accruals		12,313	16,413
Tax payable		4,850	4,057
Borrowings – unsecured	12	857	1,769
Obligations under finance leases – due within one year		297	444
		97,168	122,796
Net current assets		314,895	297,706
Total assets less current liabilities		439,369	430,612

	Notes	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Capital and reserves			
Share capital	*13*	37,975	37,975
Reserves		192,668	187,792
Retained earnings		196,195	192,120
Equity attributable to owners of the Company		426,838	417,887
Non-controlling interests		–	–
Total equity		426,838	417,887
Non-current liabilities			
Borrowings – unsecured	*12*	118	214
Obligations under finance leases – due after one year		343	441
Employee benefits		408	408
Deferred tax liabilities		11,662	11,662
		12,531	12,725
Total equity and liabilities		439,369	430,612

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Share capital	Share premium	Contributed surplus	Share-based compensation reserve	Other comprehensive income	Proposed dividend	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2009 (audited)	37,975	169,876	5,800	7,340	978	3,798	192,120	417,887	–	417,887
Profit for the period	–	–	–	–	–	–	7,873	7,873	–	7,873
Other comprehensive income for the period	–	–	–	–	1,078	–	–	1,078	–	1,078
Total comprehensive income for the period	–	–	–	–	1,078	–	7,873	8,951	–	8,951
Dividends proposed	–	–	–	–	–	3,798	(3,798)	–	–	–
Balance at 30 June 2009 (unaudited)	37,975	169,876	5,800	7,340	2,056	7,596	196,195	426,838	–	426,838

For the six months ended 30 June 2008

	Share capital	Share premium	Contributed surplus	Share-based compensation reserve	Other comprehensive income/(loss)	Proposed dividend	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2008 (audited)	37,975	169,876	5,800	7,748	240	3,798	192,908	418,345	–	418,345
Profit for the period	–	–	–	–	–	–	20,390	20,390	–	20,390
Other comprehensive income/ (loss) for the period	–	–	–	–	(73)	–	–	(73)	–	(73)
Total comprehensive income/ (loss) for the period	–	–	–	–	(73)	–	20,390	20,317	–	20,317
Dividends proposed	–	–	–	–	–	3,798	(3,798)	–	–	–
Share option waived	–	–	–	(408)	–	–	408	–	–	–
Balance at 30 June 2008 (unaudited)	37,975	169,876	5,800	7,340	167	7,596	209,908	438,662	–	438,662

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended	
	30 June 2009 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited)** *HK$'000*
Net cash from operating activities	1,214	47,774
Net cash used in investing activities	(6,852)	(19,256)
Net cash used in financing activities	(1,350)	(274)
Net (decrease) increase in cash and cash equivalents	(6,988)	28,244
Cash and cash equivalents at the beginning of period	127,797	59,374
Effect of foreign exchange rate changes	1,013	120
Cash and cash equivalents at the end of period	121,822	87,738
Analysis of balances of cash and cash equivalents:		
Cash in other financial institutions	18,802	–
Bank balances and cash	103,020	87,738
	121,822	87,738

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. Basis of preparation

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

These interim financial statements for the six months ended should be read in conjunction with the 2008 annual report.

2. Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2009.

Except as described below, the adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Presentation of Financial Statement

In the current period, the Group has adopted Hong Kong Accounting Standards ("HKAS") 1 (Revised 2007) "Presentation of Financial Statements" which has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, the adoption of HKAS 1 (Revised 2007) has no impact on the reported results or financial position of the Group.

Segment Information

In the current period, the Group has adopted HKFRS 8 "Operating Segments". HKFRS 8 required the presentation of operating segments in a manner consistent with the internal reports that regularly reviewed by the Group's chief operating decision maker (see note 4 for details). HKFRS 8 replaced HKAS 14 "Segment Reporting" which required an entity to identify two sets of segments (business and geographical). However, the adoption of HKFRS 8 has not resulted in redesignation of the Group's reportable segments.

The Group has not early applied those new and revised standards, amendments or interpretations that have been issued but are not yet effective, the directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRSs (Amendments)	Improvements to HKFRSs May 2008[2]
HKFRSs (Amendments)	Improvements to HKFRSs April 2009[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 8 (Amendment)	Operating Segments[4]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-INT 18	Transfer of Assets from Customers[5]

1 *Effective for annual periods beginning on or after 1 July 2009.*

2 *Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.*

3 *Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate.*

4 *Effective for annual periods beginning on or after 1 January 2010.*

5 *Effective for transfer of assets from customers received on or after 1 July 2009.*

3. Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

4. Segment information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the Chief Executive Officer.

The Group has two reportable segments: electronics components and lighters products. They represent two major types of products manufactured and sold by the Group. The segments are managed separately.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Segment revenue Six months ended 30 June		**Segment profit Six months ended 30 June**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Electronic components	228,813	313,704	16,194	24,919
Lighter products	54,395	67,985	(7,679)	(2,767)
Total for operations	283,208	381,689	8,515	22,152
Other revenue			2,747	3,147
Interest income			94	218
Corporate expenses			(566)	(749)
Profit before tax			10,790	24,768
Income tax charge			(2,917)	(4,378)
Profit for the period			7,873	20,390

All of the segment revenue reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of corporate expenses, investment revenue and other income. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by operating segment:

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
Electronic components	447,171	454,463
Lighter products	41,755	51,795
Unallocated corporate assets	47,611	47,150
	536,537	553,408

5. Profit before taxation

	Six months ended	
	30 June 2009	**30 June 2008**
	HK$'000	*HK$'000*
Profit before taxation is stated after charging:		
Depreciation of property, plant and equipment	14,064	11,903
Amortisation of prepaid lease payments	20	21
Amortisation on other intangible assets	290	206
and after crediting:		
Investment income	1,500	–
Interest income	94	218
Others	1,247	3,147

6. Income tax charge

	Six months ended	
	30 June 2009	**30 June 2008**
	HK$'000	*HK$'000*
Current tax		
Hong Kong	2,917	4,378

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period.

7. Dividends

The Board has resolved that an interim dividend of HK0.1 cent (2008: HK0.1 cent) per share should be paid to the shareholders of the Company whose names appear on the Register of Members on 7 October 2009. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

8. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the period of approximately HK$7,873,000 (1.1.2008-30.6.2008: HK$20,390,000) and the weighted average number of approximately 3,797,500,100 (1.1.2008-30.6.2008: 3,797,500,000) ordinary shares in issue during the period.

The weighted average number of approximately 3,744,260,000 (1.1.2008-30.6.2008: 3,999,704,000) ordinary shares is used for the calculation of diluted earnings per share.

9. Movement in property, plant and equipment

During the period, the Group spent approximately HK$6,349,000 (1.1.2008-30.6.2008: HK$13,002,000) on acquisition of property, plant and equipment.

10. Trade and bills receivables

The Group allows an average credit period of 30 to 120 days to its trade customers.

The following is an aged analysis of trade and bills receivables at the reporting date:

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
Within 3 months	159,683	152,853
4 – 6 months	4,752	18,130
7 – 12 months	9,466	2
Over 12 months	–	35
	173,901	171,020

11. Trade and bills payables

The following is an aged analysis of trade and bills payables at the reporting date:

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
Within 3 months	72,711	56,278
4 – 6 months	3,027	28,811
7 – 12 months	2,764	14,083
Over 12 months	349	941
	78,851	100,113

12. Borrowings – unsecured

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Bank borrowing *(note a)*	325	433
Other borrowing *(note b)*	650	1,550
	975	1,983
Carrying amount repayable:		
Within one year	857	1,769
More than one year, but not exceeding five years	118	214
	975	1,983
Less: Amounts due within one year shown under current liabilities	(857)	(1,769)
	118	214

Notes:

a Bank borrowing is guaranteed by the directors of a subsidiary of the Company, Mr. Sher Tak Chi and Ms. Kang Hsiao Fang, and carries interest at Prime Lending Rate plus 1.5% per annum.

b Other borrowing is guaranteed by Mr. Sher Tak Chi, a director of a subsidiary of the Company, and carries a fixed interest rate at 9% per annum.

13. Share capital

	30 June 2009 HK$'000	31 December 2008 HK$'000
Authorised:		
12,000,000,000 ordinary shares of HK$0.01 each	120,000	120,000
Issued and fully paid:		
3,797,500,100 ordinary shares of HK$0.01 each	37,975	37,975

14. Capital commitments

	30 June 2009 HK$'000	31 December 2008 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– Contracted, but not provided for	1,472	790
– Authorised, but not contracted for	66	–
	1,538	790

15. Related party transactions

(a) During the six months ended 30 June 2008, the Group had the following material transactions with its jointly controlled entry:

	Six months ended 30 June 2009 HK$'000	Six months ended 30 June 2008 HK$'000
Purchases of finished goods	–	15,696
Purchases of raw materials	–	93
Sales of raw materials	–	5,116

The above transactions were carried out on terms agreed between the Group and the jointly controlled entity and were conducted in the normal course of business with reference to the prevailing market prices.

During the year ended 31 December 2008, the Group disposed of one subsidiary, Tak Fi Brothers Limited, which held the interest in the jointly controlled entity in the PRC, Shangdong Luneng Plastics & Metal Mfy. Co. Ltd.

(b) Emoluments of key management personnel

During the period, the emoluments of directors and other members of key management were HK$3,131,000 (HK$2,700,000 for the six months ended 30 June 2008).

There was no share option issued to the key management under the Share Option Scheme for the Company during the period (2008: NIL).

16. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

The following is the text of a report from the independent reporting accountants, Deloitte Touche Tohmatsu, in respect of the audited financial information of CITIC Logistics for the period from May 8, 2007 (date of incorporation) to December 31, 2007, year ended December 31, 2008 and seven months ended July 31, 2009 as set out in this appendix for inclusion in this circular.

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

October 19, 2009

The Directors
Sino-Tech International Holdings Limited
26/F, CCT Telecom Building
11 Wo Shing Street
Fo Tan, Shatin
New Territories, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to CITIC Logistics (International) Company Limited ("CITIC Logistics") for the period from May 8, 2007 (date of incorporation) to December 31, 2007, year ended December 31, 2008 and seven months ended July 31, 2009 (the "Relevant Periods") for inclusion in the circular of Sino-Tech International Holdings Limited ("Sino-Tech") dated October 19, 2009 (the "Circular") in connection with a very substantial acquisition of the entire issued share capital of CITIC Logistics by a wholly-owned subsidiary of Sino-Tech.

CITIC Logistics was incorporated on May 8, 2007 in Hong Kong as a private limited company and is engaged in the provision of logistics services. Business commenced in January 2009. The address of the registered office and principal place of business of CITIC Logistics is Unit 2012, 20/F, Tower 2, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong.

The statutory audited financial statements of CITIC Logistics for the period from May 8, 2007 (date of incorporation) to December 31, 2008 was audited by KY Luk & Co., certified public accountants registered in Hong Kong. We have audited the financial statements of CITIC Logistics for the period from January 1, 2009 to July 31, 2009 prepared under Hong Kong Financial Reporting Standards in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have examined the audited financial statements of CITIC Logistics for the period from May 8, 2007 (date of incorporation) to December 31, 2008 and seven months ended July 31, 2009 and the management accounts of CITIC Logistics for the period from May 8, 2007 (date of incorporation) to December 31, 2007 (the "Underlying Financial Statements") in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" as recommended by the HKICPA.

The statement of financial position of CITIC Logistics as at December 31, 2007 and December 31, 2008 and July 31, 2009 and the statement of comprehensive income and cash flows for the Relevant Periods have been prepared from the Underlying Financial Statements, after making adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the sole director of CITIC Logistics who approved their issue. The directors of Sino-Tech are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of CITIC Logistics as at December 31, 2007, December 31, 2008 and July 31, 2009 and of the results and cash flows of CITIC Logistics for the Relevant Periods.

The comparative statements of comprehensive income, cash flows and changes in equity of CITIC Logistics for the seven months ended July 31, 2008 together with the notes thereon (the "July 31, 2008 Financial Information") have been extracted from CITIC Logistics unaudited financial information for the same period which was prepared by the sole director of CITIC Logistics solely for the purpose of this report. We have reviewed the July 31, 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the Entity" issued by the HKICPA. Our review of the July 31, 2008 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the July 31, 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the July 31, 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

A. STATEMENTS OF COMPREHENSIVE INCOME

	Section E Notes	5.8.2007 to 12.31.2007 HK$'000	1.1.2008 to 12.31.2008 HK$'000	Seven months ended July 31, 2008 HK$'000 (unaudited)	Seven months ended July 31, 2009 HK$'000
Turnover		–	–	–	94,678
Cost of services		–	–	–	(56,866)
Gross profit		–	–	–	37,812
Other income		–	–	–	20
Administrative expenses		(152)	(590)	(61)	(2,750)
(Loss) profit for the period/year and comprehensive (loss) income for the period/year	7 & 9	(152)	(590)	(61)	35,082

B. STATEMENTS OF FINANCIAL POSITION

	Section E Notes	At December 31, 2007 HK$'000	At December 31, 2008 HK$'000	At July 31, 2009 HK$'000
Non-current assets				
Property, plant and equipment	*11*	15	143	44,838
Deposits made on acquisition of property, plant and equipment		–	4,420	–
		15	4,563	44,838
Current assets				
Trade and other receivables, prepayments and deposits	*12*	34	250	35,676
Bank balances and cash	*13*	–	1,392	26,047
		34	1,642	61,723
Current liabilities				
Trade and other payables	*14*	–	80	33,553
Amount due to a former shareholder	*15*	–	409	415
Amount due to a director	*16*	201	6,448	38,243
		201	6,937	72,211
Net current liabilities		(167)	(5,295)	(10,488)
Net (liabilities) assets		(152)	(732)	34,350
Capital and reserve				
Share capital	*17*	–	10	10
(Deficit) retained profit		(152)	(742)	34,340
Total equity		(152)	(732)	34,350

C. STATEMENT OF CHANGES IN EQUITY

	Share capital	(Deficit) retained profit	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of shares	–	–	–
Loss for the period and total comprehensive loss for the period	–	(152)	(152)
At December 31, 2007	–	(152)	(152)
Issue of shares	10	–	10
Loss for the year and total comprehensive loss for the year	–	(590)	(590)
At December 31, 2008	10	(742)	(732)
Profit for the period and total comprehensive income for the period	–	35,082	35,082
At July 31, 2009	10	34,340	34,350
At January 1, 2008	–	(152)	(152)
Loss for the period and total comprehensive loss for the period	–	(61)	(61)
At July 31, 2008 (unaudited)	–	(213)	(213)

D. STATEMENTS OF CASH FLOWS

	5.8.2007 to 12.31.2007	1.1.2008 to 12.31.2008	Seven months ended July 31, 2008	Seven months ended July 31, 2009
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating activities				
(Loss) profit for the period/year	(152)	(590)	(61)	35,082
Adjustment for:				
Depreciation	–	36	–	2,040
Operating cash flows before movements in working capital	(152)	(554)	(61)	37,122
Increase in trade and other receivables, prepayments and deposits	(34)	(216)	–	(35,426)
Increase in trade and other payables	–	80	11	2,665
Net cash (used in) from operating activities	(186)	(690)	(50)	4,361
Investing activities				
Purchase of property, plant and equipment	(15)	(164)	–	(11,507)
Deposits paid on acquisition of property, plant and equipment	–	(4,420)	–	–
Cash used in investing activities	(15)	(4,584)	–	(11,507)

	5.8.2007 to 12.31.2007	1.1.2008 to 12.31.2008	Seven months ended July 31, 2008	2009
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Financing activities				
Proceeds from issue of shares	–	10	–	–
Borrowings from a former shareholder	–	409	–	6
Borrowings from a director	201	6,247	3,188	31,795
Cash from financing activities	201	6,666	3,188	31,801
Net increase in cash and cash equivalents	–	1,392	3,138	24,655
Cash and cash equivalents at the beginning of the period/year	–	–	–	1,392
Cash and cash equivalents at the end of the period/year	–	1,392	3,138	26,047
Analysis of the balances of cash and cash equivalents				
Bank balances and cash	–	1,392	3,138	26,047

E. NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation of financial information

Since incorporation, CITIC Logistics' functional currency was Hong Kong dollars *("HK$")* as it mainly expends cash in HK$. On January 1, 2009, CITIC Logistics commenced its business. As CITIC Logistics' business operations mainly generates and expends cash in United States dollar *("US$")*, the management has determined that the functional currency has changed from HK$ to US$ with effect from that date. The Financial Information has been presented in HK$ as it is the currency which management uses to review CITIC Logistics' operations.

The sole shareholder and sole director of CITIC Logistics, Mr. Li Wei Min, is currently providing financial support to enable CITIC Logistics to meet in full its financial obligations as they fall due. Upon completion of the acquisition of the entire issued share capital of CITIC Logistics by a wholly-owned subsidiary of Sino-Tech, Sino-Tech will provide financial support to CITIC Logistics to enable it to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the Financial Information has been prepared on a going concern basis.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The HKICPA issued a number of new Hong Kong Accounting Standards ("HKAS"s) and HKFRSs, Amendments and Interpretations ("INT"s) (hereinafter collectively referred to as the "new HKFRSs") which are or have become effective. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, CITIC Logistics has adopted all these new HKFRSs consistently throughout the Relevant Periods.

CITIC Logistics has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 [2]
HKAS 27 (Revised 2008)	Consolidated and separate financial statements [1]
HKAS 39 (Amendment)	Eligible hedged items [1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters [3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions [3]
HKFRS 3 (Revised 2008)	Business combinations [1]
HK(IFRIC*) – INT 17	Distribution of non-cash assets to owners [1]
HK(IFRIC) – INT 18	Transfer of assets from customers [4]

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

[1] *Effective for annual periods beginning on or after July 1, 2009.*

[2] *Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate.*

[3] *Effective for annual periods beginning on or after January 1, 2010.*

[4] *Effective for transfers on or after July 1, 2009.*

The sole director of CITIC Logistics anticipates that the application of these standards or INTs will have no material impact on the results and the financial position of CITIC Logistics.

3. Significant accounting policies

The Financial Information has been prepared under the historical cost convention except for certain financial instruments, which are stated at fair value on initial recognition, and in accordance with the following accounting policies which conform with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents services provided in the normal course of business, net of discounts.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold improvements	20%
Motor vehicles	20%
Office equipment	20%
Trucks	10%

Impairment

At the end of each reporting period, CITIC Logistics reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when CITIC Logistics becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

CITIC Logistics' financial assets are classified as loans and receivables.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Financial liabilities and equity

Financial liabilities and equity instruments issued by CITIC Logistics are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of CITIC Logistics after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a former shareholder and amount due to a director are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in currencies other than CITIC Logistics' functional currency (foreign currencies) are recorded in its functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

For the purposes of presenting the Financial Information, the assets and liabilities of CITIC Logistics' operations are translated into its presentation currency (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the period/year, unless exchange rates fluctuate significantly during the period/year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve).

Operating leases

Rentals under operating leases are charged to profit or loss on a straight line basis over the terms of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight line basis.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered services entitling them to the contributions.

4. Capital risk management

CITIC Logistics manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its shareholder through the optimisation of the debt and equity balance. CITIC Logistics also relies on the financial support from its sole shareholder, see note 1 to section E for details. CITIC Logistics' overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of CITIC Logistics consists of debt which includes amount due to a director and amount due to a former shareholder and equity attributable to owners of CITIC Logistics, comprising issued share capital and retained profit/deficit.

The sole director of CITIC Logistics reviews the capital structure on a regular basis. As part of this review, the sole director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director, CITIC Logistics will balance its overall capital structure through the payment or borrowings from a director who is also the controlling shareholder of CITIC Logistics.

5. Financial instruments

CITIC Logistics' major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to a former shareholder and amount due to a director. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	At December 31,		At July 31,
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	–	1,523	60,372
Financial liabilities	201	6,937	70,331

Financial risk management objectives and policies

Market risk

Interest rate risk

CITIC Logistics is exposed to cash flow interest rate risk through the impact of rate changes on interest carrying financial assets which are mainly variable-rate bank balances of HK$1,392,000 and HK$25,960,000 as at December 31, 2008 and July 31, 2009 respectively which carries interest at the prevailing market rate.

The sole director considers CITIC Logistics is not exposed to significant interest rate risk on its variable-rate bank balances due to minimum market interest rate and short maturity period and therefore no sensitivity analysis is presented for the Relevant Periods.

Currency risk

CITIC Logistics does not have significant exposures to currency risk with majority of its transactions are denominated in US$. Certain of its transactions are denominated in HK$ however since HK$ is pegged to US$, the sole director considers currency risk exposure to be insignificant.

Credit risk

CITIC Logistics' maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at December 31, 2007, December 31, 2008 and July 31, 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise the credit risk, management regularly reviews the recoverable amount of each individual debt to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that CITIC Logistics' credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

CITIC Logistics' concentration risk on its trade receivables are disclosed in note 12 to section E.

Liquidity risk

In the management of the liquidity risk, CITIC Logistics monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance CITIC Logistics' operations and mitigate the effects of fluctuations in cash flows.

The following table details CITIC Logistics' contractual maturity for its financial liabilities, which are non-interest bearing:

	Repayable on demand	**Within 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At December 31, 2007			
Amount due to a director	201	–	201
At December 31, 2008			
Trade and other payables	–	80	80
Amount due to a former shareholder	409	–	409
Amount due to a director	6,448	–	6,448
	6,857	80	6,937
At July 31, 2009			
Trade and other payables	–	31,673	31,673
Amount due to a former shareholder	415	–	415
Amount due to a director	38,243	–	38,243
	38,658	31,673	70,331

CITIC Logistics relies on the financial support from its sole shareholder who has agreed to provide adequate funds to enable it to meet in full its financial obligations as they fall due. Upon completion of the acquisition of the entire issued share capital of CITIC Logistics by a wholly-owned subsidiary of Sino-Tech, Sino-Tech will provide financial support to CITIC Logistics to enable it to meet in full its financial obligations as they fall due for the foreseeable future.

Fair value

The carrying amount of financial assets and liabilities carried at amortised cost, approximate their respective fair values.

6. Segment information

The chief operating decision maker has been identified as the sole director of CITIC Logistics (the "Director"). The Director reviews CITIC Logistics' internal reporting in order to assess performance and allocate resources.

Management has identified its reportable segments as logistics service on shipping construction materials and logistics service on transportation of commercial fuel ("CF") and light petroleum gas ("LPG"), which in aggregate represents the logistics services provided by CITIC Logistics. The Director assess the performance of individual operating segments based on the gross profit earned by each segment. This is the measure reported to the Director for the purpose of resource allocation and assessment of performance.

CITIC Logistics commenced its operation on January 1, 2009, hence no segment information is presented for the period prior to January 1, 2009. Segment results represents the turnover from each operating segment less its respective cost of services.

An analysis of CITIC Logistics' turnover and segment results for the seven month period ended July 31, 2009 are as follows:

Operating segment

	1.1.2009 to 7.31.2009	
	Turnover	**Results**
	HK$'000	*HK$'000*
Logistics services on		
– shipping construction materials	87,062	40,338
– transportation of CF and LPG	7,616	(2,526)
	94,678	37,812
Unallocated amounts:		
Other income		20
Other expenses		(2,750)
Profit for the period		35,082

An analysis of CITIC Logistics' statement of financial position by operating segments is as follows:

	7.31.2009
	HK$'000
Assets	
Logistics services on	
– shipping construction materials	30,123
– transportation of CF and LPG	49,873
	79,996
Unallocated corporate assets *(note a)*	26,565
Total assets	106,561
Liabilities	
Logistics services on	
– shipping construction materials	38,243
– transportation of CF and LPG	32,661
	70,904
Unallocated corporate liabilities *(note b)*	1,307
Total liabilities	72,211

Notes:

(a) Unallocated corporate assets represent bank balances and cash, certain deposits and office equipment.

(b) Unallocated corporate liabilities represent amount due to a former shareholder and other payables.

Segment assets represent all current and non-current assets except bank balances and cash, certain deposits and office equipment. Segment liabilities represent all current and non-current liabilities except other payables and amount due to a former shareholder.

During the period from January 1, 2009 to July 31, 2009, all the revenues from logistics service on shipping construction materials were derived from a customer situated in Mainland China and the remaining revenue from logistics service on transportation of CF and LPG were derived from a customer situated in Hong Kong. As at July 31, 2009, all non-current assets of CITIC Logistics were situated in Hong Kong.

Other information

	7.31.2009
	HK$'000
Capital additions	
Logistics service on transportation of CF and LPG	46,595
Corporate assets	140
	46,735
Depreciation	
Logistics service on transportation of CF and LPG	2,010
Corporate assets	30
	2,040

7. (Loss) profit for the period/year

	5.8.2007 to 12.31.2007	1.1.2008 to 12.31.2008	Seven months ended July 31, 2008	Seven months ended July 31, 2009
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss) profit for the period/year has been arrived at after charging:				
Director's remuneration	–	–	–	–
Other staff's retirement benefits scheme contributions	–	3	–	395
Other staff costs	–	112	–	5,197
	–	115	–	5,592
Depreciation	–	36	–	2,040
Operating lease rentals in respect of rented				
– premises	109	184	47	389
– vessels	–	–	–	16,338

8. Five highest paid individuals' emoluments

The emoluments of the five highest paid individuals during the Relevant Periods were as follows:

	5.8.2007 to 12.31.2007	1.1.2008 to 12.31.2008	Seven months ended July 31, 2008	Seven months ended July 31, 2009
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Employees				
– basic salaries and allowances	–	94	–	628
– retirement benefits scheme contributions	–	3	–	27
	–	97	–	655

During the Relevant Periods, no emoluments were paid by CITIC Logistics to the sole director or the five highest paid individuals (including director and employee) as an inducement to join or upon joining CITIC Logistics or as compensation for loss of office. The sole director has not waived any emoluments during the Relevant Periods.

9. Taxation

No provision for Hong Kong Profits Tax has been made in the Financial Information as CITIC Logistics had no assessable profit for the Relevant Periods. CITIC Logistics' profit is mainly derived from its shipping logistics business. Since none of the shipments involved any loading or off-loading in Hong Kong nor any calls through Hong Kong waters, hence the results derived from CITIC Logistics' shipping logistics business is not liable to Hong Kong Profits Tax under Section 23B of the Hong Kong Inland Revenue Ordinance.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 17.5% for the period from May 8, 2007 (date of incorporation) to December 31, 2007 and 16.5% for the year ended December 31, 2008 and seven months ended July 31, 2008 and July 31, 2009 on the estimated assessable profit.

Taxation for the Relevant Periods is reconciled to the (loss) profit for the period/year as follows:

	5.8.2007 to 12.31.2007		1.1.2008 to 12.31.2008		Seven months ended July 31, 2008		2009	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
(Loss) profit for the period/year	(152)		(590)		(61)		35,082	
Tax at the applicable income tax rate	27	17.5	97	16.5	10	16.5	(5,789)	(16.5)
Tax effect of expenses not deductible for tax purposes	(27)	(17.5)	(97)	(16.5)	(10)	(16.5)	(423)	(1.2)
Tax effect of income not taxable for tax purposes	–	–	–	–	–	–	6,656	19.0
Tax effect of unrecognised tax losses	–	–	–	–	–	–	(444)	(1.3)
Tax effect and effective tax rate for the period/year	–	–	–	–	–	–	–	–

Movement of the deferred tax asset and liability recognised by CITIC Logistics are as follows:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At December 31, 2007 and December 31, 2008	–	–	–
(Charged) credit to profit or loss for the period	(5,184)	5,184	–
At July 31, 2009	(5,184)	5,184	–

At July 31, 2009, CITIC Logistics has unutilised tax losses of HK$34,108,000 (12.31.2007 and 12.31.2008: Nil). These tax losses may be carried forward indefinitely. Deferred tax asset has been recognised in respect of HK$31,418,000 (12.31.2007 and 12.31.2008: Nil) of such tax losses. No deferred tax asset has been recognised in relation to the remaining unutilised tax losses of HK$2,690,000 (12.31.2007 and 12.31.2008: Nil) due to the unpredictability of future profit streams.

10. Dividends

No dividend has been paid or declared by CITIC Logistics since its incorporation.

11. Property, plant and equipment

	Leasehold improvements	Motor vehicles	Office equipment	Trucks	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
Acquired during the period and balance at December 31, 2007	–	–	15	–	15
Additions	73	–	91	–	164
At December 31, 2008	73	–	106	–	179
Additions	9	47	281	46,398	46,735
At July 31, 2009	82	47	387	46,398	46,914
DEPRECIATION					
Provided for the period and balance at December 31, 2007	–	–	–	–	–
Provided for the year	15	–	21	–	36
At December 31, 2008	15	–	21	–	36
Provided for the period	9	2	28	2,001	2,040
At July 31, 2009	24	2	49	2,001	2,076
NET BOOK VALUES					
At December 31, 2007	–	–	15	–	15
At December 31, 2008	58	–	85	–	143
At July 31, 2009	58	45	338	44,397	44,838

12. Trade and other receivables, prepayments and deposits

	At December 31,		At July 31,
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	–	–	34,258
Other receivables	–	131	67
Prepayments and deposits	34	119	1,351
	34	250	35,676

CITIC Logistics allows a credit period of 45 days or 90 days after service rendered to its trade customers. Before accepting any new customer, CITIC Logistics will internally assess the credit quality of the potential customer and defines appropriate credit limits.

Management closely monitors the credit quality of trade receivables and considers trade receivables that are neither past due nor impaired to be of a good quality.

The following is an analysis of trade receivables by age, presented based on the invoice date as at the end of each reporting period:

	At December 31,		At July 31,
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Age			
0 – 30 days	–	–	4,131
61 – 90 days	–	–	22,722
Over 90 days	–	–	7,405
	–	–	34,258

The following is an analysis of trade receivables by age, presented based on the invoice date, which are past due but not impaired:

	At December 31,		**At July 31,**
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Age			
Over 90 days	–	–	7,405

CITIC Logistics does not hold any collaterals over these past due balances. All these past due receivables at July 31, 2009 were subsequently settled as at the date of this report.

CITIC Logistics has concentration of credit risk on its trade receivables as 88% (12.31.2007 and 12.31.2008: Nil) of the total trade receivables was due from its largest customer, being a subsidiary of CITIC Group, and an affiliate of certain owners of a related company in which the sole director of CITIC Logistics has beneficial interest (the "CITIC customer"). The above mentioned CITIC customer is a company situated in Mainland China and the sole director considers the credit quality of the customer, based on its financial background, to be good.

13. Bank balances and cash

The interest rate range of the bank balances during the Relevant Periods are as follows:

	At December 31,		**At July 31,**
	2007	**2008**	**2009**
	%	*%*	*%*
Variable interest rate	N/A	0.01-0.15	0.00-0.01

Included in bank balances and cash are the following amounts denominated in currency other than the functional currency of CITIC Logistics:

	At December 31,		**At July 31,**
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
HK$	N/A	N/A	2,000

14. Trade and other payables

	At December 31, 2007 HK$'000	At December 31, 2008 HK$'000	At July 31, 2009 HK$'000
Trade payables	–	–	865
Balance of consideration payable for the acquisition of trucks	–	–	30,808
Other payables	–	80	1,880
	–	80	33,553

The following is an analysis of trade payables by age, presented based on the invoice date as at the end of each reporting period:

	At December 31, 2007 HK$'000	At December 31, 2008 HK$'000	At July 31, 2009 HK$'000
Age			
0 – 30 days	–	–	346
31 – 60 days	–	–	471
61 – 90 days	–	–	28
Over 90 days	–	–	20
	–	–	865

15. Amount due to a former shareholder

The amount due to a former shareholder is unsecured, interest-free and is repayable on demand.

16. Amount due to a director

The amount due to a director is unsecured, interest-free and is repayable on demand. Subsequent to end of the reporting period, CITIC Logistics has agreed with the director to repay the amounts by instalments before July 2010.

17. Share capital

	Authorised	Issued and fully paid
	HK$'000	*HK$'000*
Ordinary shares of HK$1 each		
– on date of incorporation and balance at December 31, 2007	10	–
– issue of shares	–	10
– balance at December 31, 2008 and July 31, 2009	10	10

The movements in CITIC Logistics' authorised and issued share capital during the Relevant Periods are as follows:

(a) CITIC Logistics was incorporated in Hong Kong on May 8, 2007 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. On May 8, 2007, one subscriber share of HK$1 was issued, for cash, at par.

(b) On August 18, 2008, 9,999 new ordinary shares of HK$1 each of CITIC Logistics were allotted and issued, for cash, at par.

All the shares issued by CITIC Logistics during the Relevant Periods rank pari passu with the then existing shares in all respects.

18. Operating lease commitments

At the end of each reporting period, CITIC Logistics was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	At December 31, 2007	At December 31, 2008	At July 31, 2009
	HK$'000	*HK$'000*	*HK$'000*
Within one year	–	360	424
In the second to fifth year inclusive	–	255	140
	–	615	564

Leases are negotiated and rentals are fixed for a lease term of 3 to 4 years.

19. Capital commitments

	At December 31,		At July 31,
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the financial information in respect of acquisition of property, plant and equipment	–	38,724	–

20. Contingent liabilities

CITIC Logistics has no significant contingent liabilities at the end of each reporting period.

21. Retirement benefits scheme

CITIC Logistics operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of CITIC Logistics, in funds under the control of trustees. CITIC Logistics contributes 5% of the relevant payroll costs to the Scheme, which contribution is matched by employees but subject to maximum contribution of HK$1,000 per month per employee.

22. Related party transactions

Other than the transactions and balances with related parties disclosed in respective notes, during the Relevant Periods, CITIC Logistics has the following significant transactions with related parties:

(a) Pursuant to an authorisation letter dated July 20, 2007, a company in which the sole director of CITIC Logistics has a beneficial interest (the "Related Company"), has granted the use of its trading logo to CITIC Logistics, free of charge for the period from August 1, 2007 to April 30, 2010. The grant was further extended to April 30, 2012 pursuant to an authorisation letter from the Related Company on September 17, 2009.

(b) On April 15, 2009, the Related Company entered into an agreement to transfer its shipping logistics business contracted with the CITIC customer to CITIC Logistics at zero consideration.

(c) During the seven months ended July 31, 2009, as part of the transitional arrangement with the Related Company, the shipping logistics operation of CITIC Logistics' business was carried out by certain employees of the Related Company. No consideration was paid to the Related Company for the service of its employees to carry out the shipping logistics business. During the period, the staff costs incurred by the Related Company in relation to the foregoing amounted to approximately RMB280,000 (5.8.2007 to 12.31.2008: Nil).

(d) During the seven months ended July 31, 2009, the sole director paid operation expenses of HK$46,724,000 (5.8.2007 to 12.31.2008: Nil) on behalf of CITIC Logistics in respect of CITIC Logistics' shipping logistics operation. As at July 31, 2009, amount due to the sole director amounts to HK$38,243,000, see note 16 to section E for details.

(e) The key management personnel of CITIC Logistics is it's sole director. No emoluments were paid to the sole director during the Relevant Periods.

F. SUBSEQUENT EVENT

On September 13, 2009, the sole shareholder of CITIC Logistics entered into a conditional sale and purchase agreement to dispose of his interest in the entire issued share capital of CITIC Logistics to a wholly-owned subsidiary of Sino-Tech. As at date of this report, this transaction has not yet been completed.

G. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by CITIC Logistics subsequent to July 31, 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

19 October 2009

The Board of Directors
Sino-Tech International Holdings Limited
26/F., CCT Telecom Building
11 Wo Shing Street, Fotan
Shatin
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Appendix III of the circular dated 19 October 2009 (the "Circular") in connection with the proposed acquisition of the entire equity interest in CITIC Logistics (International) Company Limited ("CITIC Logistics") by the Company's wholly owned subsidiary, Top Victory Industries Limited (the "Proposed Acquisition"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the Proposed Acquisition might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out on pages III-4 to III-12 of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group had the Proposed Acquisition actually occurred as at 31 December 2008 or any future date; and

- the results and cash flows of the Enlarged Group for the year ended 31 December 2008 or any future periods.

OPINION

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

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

Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The accompanying unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Enlarged Group (the "Unaudited Pro Forma Financial Information") have been prepared to illustrate the effect of the proposed acquisition of the entire equity interest in CITIC Logistics (International) Company Limited ("CITIC Logistics") (the "Proposed Acquisition") might have affected the financial information of Sino-Tech International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group").

For the purpose of the Unaudited Pro Forma Financial Information, the Group immediately after the completion of the Proposed Acquisition is referred to as the "Enlarged Group".

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared based on (1) the audited consolidated balance sheet of the Group as at 31 December 2008, which has been extracted from the published annual report of the Company for the year ended 31 December 2008 as set out in Appendix I to this Circular and (2) the audited statement of financial position of CITIC Logistics as at 31 December 2008 as set out in Appendix II to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the Proposed Acquisition had been completed on 31 December 2008.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Enlarged Group have been prepared based on (1) the audited consolidated income statement and consolidated cash flow statement of the Group for the year ended 31 December 2008 which has been extracted from the published annual report of the Company for the year ended 31 December 2008 as set out in the Appendix I to this Circular and (2) the audited income statement and statement of cash flow of CITIC Logistics for the year ended 31 December 2008 as set out in Appendix II to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the Proposed Acquisition had been completed on 1 January 2008.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations or cash flows of the Enlarged Group had the Proposed Acquisition been completed as at the respective dates to which it is made up to or at any future dates.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

	Audited consolidated balance sheet of the Group as at 31 December 2008	Audited statement of financial position of CITIC Logistics as at 31 December 2008	Pro forma adjustments	*Notes*	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Non-current assets					
Property, plant and equipment	130,944	143			131,087
Prepaid lease payments	1,672	–			1,672
Other intangible assets	290	–			290
Deposits made on acquisition of property, plant and equipment	–	4,420			4,420
Goodwill	–	–	1,145,532	*6*	1,145,532
	132,906	4,563			1,283,001
Current assets					
Inventories	116,404	–			116,404
Trade and bills receivables	171,020	–			171,020
Prepaid lease payments	41	–			41
Prepayments, deposits and other receivables	5,240	250			5,490
Bank balances and cash	127,797	1,392			129,189
	420,502	1,642			422,144
Current liabilities					
Trade and bills payables	100,113	–			100,113
Other payables and accruals	16,413	80			16,493
Amount due to a former shareholder	–	409			409
Amount to a shareholder	–	–	6,448	*7*	6,448
Amount due to a director	–	6,448	(6,448)	*7*	–
Tax payable	4,057	–			4,057
Borrowings – unsecured	1,769	–			1,769
Obligations under finance leases – due within one year	444	–			444
Convertible notes	–	–	950,400	*3, 5*	950,400
	122,796	6,937			1,080,133
Net current assets/(liabilities)	297,706	(5,295)			(657,989)
Total assets less current liabilities	430,612	(732)			625,012

	Audited consolidated balance sheet of the Group as at 31 December 2008	Audited statement of financial position of CITIC Logistics as at 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Non-current liabilities					
Borrowings – unsecured	214	–			214
Obligations under finance leases					
– due after one year	441	–			441
Employee benefits	408	–			408
Deferred tax liabilities	11,662	–			11,662
	12,725	–			12,725
	417,887	(732)			612,287
Capital and reserves					
Share capital	37,975	10	(10)	*6*	54,175
			16,200	*3, 4*	
Reserves	379,912	(742)	742	*6*	558,112
			178,200	*3, 4*	
Equity attributable to owners of the Company	417,887	(732)			612,287
Non-controlling interest	–	–			–
	417,887	(732)			612,287

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

	Audited consolidated income statement of the Group for the year ended 31 December 2008	Audited income statement of CITIC Logistics for the year ended 31 December 2008	Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*
Turnover	729,045	–	729,045
Cost of sales	(635,633)	–	(635,633)
Gross profit	93,412	–	93,412
Other income	4,822	–	4,822
Distribution costs	(14,097)	–	(14,097)
Administrative expenses	(39,216)	(590)	(39,806)
Impairment loss on trade and other receivables	(27,932)	–	(27,932)
Other expenses	(3,338)	–	(3,338)
Finance costs	(121)	–	(121)
Profit/(loss) before taxation	13,530	(590)	12,940
Taxation	(7,131)	–	(7,131)
Profit/(loss) for the year attributable to equity holders of the Company	6,399	(590)	5,809

UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2008	Audited statement of cash flow of CITIC Logistics for the year ended 31 December 2008	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit/(loss) before taxation	13,530	(590)	12,940
Adjustments for:			
Interest income	(634)	–	(634)
Interest expenses	121	–	121
Impairment loss on property, plant and equipment	2,938	–	2,938
Depreciation of property, plant and equipment	25,962	36	25,998
Amortisation of other intangible assets	357	–	357
Amortisation of prepaid lease payments	41	–	41
Write-down of inventories	917	–	917
Impairment loss on other receivables	19,585	–	19,585
Impairment loss on trade receivables	8,347	–	8,347
Write off of trade receivables	400	–	400
Reversal of impairment loss on trade receivables	(54)	–	(54)
Revaluation deficit on leasehold buildings	2,131	–	2,131
Gain on disposal of a subsidiary	(478)	–	(478)
Write off of property, plant and equipment	102	–	102
Operating cash flow before movements in working capital	73,265	(554)	72,711
Decrease in inventories	42,168	–	42,168
Decrease in trade and bills receivables	27,861	–	27,861
Decrease/(increase) in prepayments, deposits and other receivables	4,642	(216)	4,426
Decrease in trade and bills payables	(13,094)	–	(13,094)
Decrease/(increase) in other payables and accruals	(5,615)	80	(5,535)
Increase in employee benefits	14	–	14
Cash from/(used in) operations	129,241	(690)	128,551
Income tax paid	(11,599)	–	(11,599)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	117,642	(690)	116,952

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2008	Audited statement of cash flow of CITIC Logistics for the year ended 31 December 2008	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(43,083)	(164)	(43,247)
Deposits paid on acquisition of property, plant and equipment	–	(4,420)	(4,420)
Net cash flow from disposal of a subsidiary	(14)	–	(14)
Additions to intangible assets	(15)	–	(15)
Interest received	634	–	634
NET CASH USED IN INVESTING ACTIVITIES	(42,478)	(4,584)	(47,062)
FINANCING ACTIVITIES			
Proceeds from issue of shares	–	10	10
Dividends paid	(7,595)	–	(7,595)
Repayment of obligations under finance leases	(474)	–	(474)
Interest paid on obligations under finance leases	(76)	–	(76)
Interest paid on borrowings	(45)	–	(45)
Borrowings from a former shareholder	–	409	409
Borrowings from a director	–	6,247	6,247
Repayment of borrowings	(17)	–	(17)
New borrowings raised	2,000	–	2,000
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(6,207)	6,666	459
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,957	1,392	70,349
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	59,374	–	59,374
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(534)	–	(534)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	127,797	1,392	129,189

Notes:

(1) On 13 September 2009, Top Victory Industries Limited, a wholly-owned subsidiary of the Company, entered into a conditional sales and purchase agreement (the "Sales and Purchase Agreement") with Mr. Li Wei Min (the "Vendor") for the Proposed Acquisition.

(2) Under Hong Kong Financial Reporting Standard 3 "Business Combinations", the Group will apply the purchase method to account for the acquisition of CITIC Logistics as subsidiary if the Group has the power, directly or indirectly, to govern the financial and operating policies of CITIC Logistics, so as to obtain benefits from its activities after the completion of the Proposed Acquisition. As of the date of this report, the directors of the Company consider that the Group will have control over CITIC Logistics after the completion of the Proposed Acquisition.

In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of CITIC Logistics will be recorded on the consolidated balance sheet of the Group at their fair values at date of the completion of the Proposed Acquisition. Goodwill arising on the Proposed Acquisition will be determined as the excess of the cost of business combination over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of CITIC Logistics at the date of completion of the Proposed Acquisition. Goodwill arising on the Proposed Acquisition is recognised as an asset.

Since the net fair values of the identifiable assets, liabilities and contingent liabilities of CITIC Logistics as at the date of actual completion of the Proposed Acquisition may be different from the fair values used in the preparation of the Unaudited Pro Forma Information, the goodwill arising from the Proposed Acquisition will be reassessed at time of actual completion.

(3) The adjustment is to reflect the consideration of the Proposed Acquisition.

The total consideration for the Proposed Acquisition is HK$1,144,800,000 which will be satisfied in the following manner:

	HK$'000
Consideration shares	194,400
Convertible note (the "Convertible Note")	950,400
Total consideration	1,144,800

The consideration is subject to adjustment ("Adjustment") if the aggregate net profit ("Aggregate Net Profit") of CITIC Logistics exceeds HK$180,000,000 for the two financial years ending 31 December 2010. The maximum Adjustment to consideration shall not exceed HK$1,594,800,000 pursuant to the Sales and Purchase Agreement. Details of the Adjustment are set out in the Letter from the Board. Since the Adjustment is contingent, the actual consideration may be different from HK$1,144,800,000. The consideration will be reassessed at the time frame as specified under the terms of the Sales and Purchase Agreement. In case the Aggregate Net Profit specified thereunder is met, the consideration would need to be increased by an amount determined according to the provisions set out in the Sales and Purchase Agreement and the goodwill arising from the Proposed Acquisition would be accordingly increased by the same amount.

(4) Pursuant to the Sales and Purchase Agreement, the 1,620,000,000 Consideration Shares will be issued at an issue price of HK$0.12 per Consideration Shares ("Issue Price"), credited as fully paid. The issue of the Consideration Shares is a non-cash transaction. Upon completion of the Proposed Acquisition, the fair value of the Consideration Shares issued as at that date will be used to determine the cost of the Proposed Acquisition. For the purpose of preparation of the unaudited pro forma financial information, the fair value of the Consideration Shares as at the date of completion is assumed to be the Issue Price.

Upon completion of the Proposed Acquisition, the share capital and share premium will increase by approximately HK$16,200,000 and HK178,200,000, respectively.

(5) Pursuant to the Sales and Purchase Agreement, the Convertible Note for the principal amount of HK$950,400,000 will be issued without any interest. The conversion price is HK$0.12 per conversion share and the Convertible Note will mature on the fifth anniversary from the date of issue of Convertible Note (the "Maturity Date"). Pursuant to the terms and conditions of the Sales and Purchase Agreement, the Convertible Note may at any time be redeemed at the option of the Company before the Maturity Date. Unless previously converted, the principal amount of the Convertible Note will be repaid by the Company on the Maturity Date.

The Convertible Note issued (including related embedded derivatives) are designated as financial liabilities at fair value through profit or loss on initial recognition, which requires the Convertible Note to be recognised at its fair value at the consolidated statement of financial position in accordance with the Hong Kong Accounting Standard 32 "Financial Instruments: Disclosure and Presentation". The principal amount of the Convertible Note is taken as its fair value at date of issue. For the purpose of preparation of the unaudited pro forma financial information, the fair value of the Convertible Note as at 1 January 2008 and 31 December 2008 is assumed to be the same.

(6) The adjustments represent the goodwill of approximately HK$1,145,532,000 arising from the Proposed Acquisition. The share capital and the pre-acquisition accumulated losses of CITIC Logistics of approximately HK$10,000 and HK$742,000 respectively would be eliminated upon consolidation.

The goodwill arising from the acquisition of CITIC Logistics is derived from the calculation as follows:

	HK$'000
Fair values of CITIC Logistics	(732)
Goodwill	1,145,532
Purchase consideration	1,144,800

It is assumed that the fair value of the identifiable assets and liabilities of CITIC Logistics as at 31 December 2008 is the carrying amounts as recorded in the books of CITIC Logistics as extracted from the Accountants' Report of CITIC Logistics as set out in Appendix II to this Circular.

On completion of the Proposed Acquisition, the fair value of the net identifiable assets and liabilities and contingent liabilities, if any, of CITIC Logistics will have to be assessed. As a result of the assessment, the amount of goodwill may be different from that estimated based on the basis stated above for the purpose of preparation of the unaudited pro forma financial information. Accordingly, the actual goodwill at the date of completion may be different from that presented above.

(7) The adjustment represents the reclassification of approximately HK$6,448,000 from amount due to a director to amount due to a shareholder.

(8) In the opinion of the directors of the Company, no adjustments have been made to reflect the transaction costs in connection with the Proposed Acquisition as such costs are not considered to be materials.

(9) There are no continuing effects in the pro forma adjustments to the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Enlarged Group.

According to the requirement of HKAS 39 "Financial Instruments: Recognition and Measurement", the Convertible Note recognised as a liability at fair value through profit or loss should be measured at its fair value at each report date with the movement in fair value recognised in the profit or loss for that reporting period. In preparing the pro forma consolidated income statement and pro forma consolidated cash flow statement, which has been prepared as if the Proposed Acquisition had been completed on 1 January 2008, no pro forma adjustment has been made to account for the reassessment of the fair value of the Convertible Note at 31 December 2008. After issue of the Convertible Note upon the actual completion of the Proposed Acquisition, the Convertible Note needs to be reassessed and stated at its fair value at each subsequent reporting date. Any gain or loss arising from such change in fair value is credited or charged to the Enlarged Group's consolidated income statement in the reporting period where such gain or loss arises.

(10) No adjustment has been made to reflect any trading results and other transactions of the Group and CITIC Logistics entered into subsequent to 31 December 2008.

1. STATEMENT OF INDEBTEDNESS

Indebtedness

As at the close of business on 31 August 2009, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had aggregate bank and other borrowings of approximately HK$28,432,000, comprising amount due to a shareholder of approximately HK$27,237,000 which is unsecured, interest-free and repayable on demand, obligations under finance leases of approximately HK$557,000, bank loans of approximately HK$288,000 and other loan of approximately HK$350,000. All bank and other borrowings of the Enlarged Group are not secured.

Commitment

As at the close of business on 31 August 2009, the Enlarged Group had total future minimum lease payments under non-cancelable operating leases in respect of rented premises amounting to approximately HK$21,557,000.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rate of exchange prevailing the close of business on 31 August 2009.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have outstanding as at the close of business on 31 August 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease or hire purchases commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account its internally generated funds and the present available banking facilities of the Enlarged Group and upon the completion of Proposed Acquisition, the Enlarged Group have sufficient working capital for its present requirements in the next twelve months from the date of this Circular.

3. MATERIAL ADVERSE CHANGE

Up to and including the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As stated in the 2008 annual report, it is expected that the demand for electronic consumer products will be weak and stagnant in year 2009. Despite the recent signs of stability in global financial markets, the Group believes that the consumer market recovery will still be a slow and difficult process. While the Group is strengthening its quality control and research and development to obtain greater customers satisfaction and recognition on our products, the Directors are continuously seeking opportunities for expanding and diversifying its business with significant potential growth.

The Directors consider that this Transaction with CITIC Logistics (i) will provide the Group an opportunity of business expansion into a promising industry which will enable the Group to diversify its source of revenue, broaden its asset base and to take advantage of the long term gradual recovery of the PRC and global market, and (ii) is in the interests of the Company and the Shareholders as a whole.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the operating results and business review extracted from the respective annual reports of the Company for the three years ended 31 December 2008.

For the year ended 31 December 2006

Business review and prospect

Business Review

The Group reported a delighted result for the financial year 2006. Turnover has risen to approximately HK$636.2 million from HK$554.0 million and represented an increase of 14.8% during the year. Net profit attributable to shareholders has increased 45.6% to approximately HK$62.2 million.

2006 is a prosperous year for the global economy with tremendous investment and business opportunities. As a result, the demand for consumer products reached a record high. It boosted the global sales of semiconductors by 8.9 percent when compared with 2005 as released by Semiconductor Industry Association. Although the appreciation of RMB, the increase in energy and labour cost and problem of labour shortage were all needed to be solved by many enterprises with establishment in the PRC, the Group was able to increase both the turnover and the profit during 2006. Our sensitivity and awareness to this ever changing environment coupled with the various proper cost control measures help to deliver a better than expected result.

Prospects

The growth in demand for those popular consumer products such as mobile phones, MP3 players, PDAs, personal computers and HDTV sets has driven the surge in global sales of semiconductors. We expected that the growth will continue in the coming years. People are now demanding consumer products with increased capacity and functionality, more handy and fashionable. With the PRC government's announcement of the digital TV terrestrial transmission standard in August 2006 and the formal launch of the terrestrial transmission by the end of 2007 in Hong Kong, the production of the HDTVs will start to speed up in the coming two years in order to seize the golden opportunity during the Beijing's 2008 Olympic Games. The Group, being one of the major players in the electronic components industry, should be able to benefit from such a boom.

The Group does not stop its pace in its development route. As indicated last year, we have initiated the study in the possibility of the radio frequency identification technology (the "RFID") in different applications. During this year, we have started the discussion in exploring business opportunity in the RFID industry with many technical parties, orders for the production machines of RFID tags and inlays have been placed with Mühlbauer, Germany, the world leading supplier of production equipment in the RFID and smart card industry. The machines are expected to be delivered to us by the end of second quarter 2007 and we expect production will start in third quarter 2007. An informal network has been established for both technical support and customer base, we foresee this inevitable trend will be another source of contribution for the Group in the future.

Segment Information

The electronic components business remained the major revenue and profit generator of the Group for the financial year 2006. Turnover for this segment amounted to HK$503.4 million (2005: HK$395.4 million) with a segment result of HK$78.4 million (2005: HK$55.6 million). The trend for compact and handy consumer products provide a strong market potential for our SMD SOD/SOT-series component products. Turnover for this series has increased more than double from 2005 to HK$90 million this year and more importantly, over 60% of this turnover was generated in the second half of 2006. Apart from the SMD SOD/SOT-series components, the turnover for other existing products has also increased by over 16%, which represented a better than average performance in the semiconductors market.

At the same time, the Group has continued to streamline the operation in the lighter business, turnover for the year has reduced to HK$132.8 million (2005: HK$158.6 million) and the segment result was a loss of HK$1.1 million (2005: loss of HK$0.9 million). Since the lighter business is facing serve competition with low profit margin and low entry barrier, we will keep on monitoring its performance from time to time and to focus only on the products with higher contribution margin.

Financial review

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a healthy financial position. The Group does not have any outstanding bank loan nor overdraft as at 31 December 2006 (2005: Nil). The only borrowing refers to finance lease obligation of approximately HK$799,000 (2005: HK$135,000). The gearing ratio (defined as total interest bearing borrowing divided by shareholder's fund) was 0.22% (2005: 0.05%). The Group's bank balances and cash amounted to HK$86.6 million (2005: HK$48.1 million) and its current ratio at year end increased from 2.43 to 3.23. The Group generally finances its operations with internally generated cash flows. At the present moment, the Directors believe that the Group has sufficient financial resources to satisfy its current operations and capital expenditures requirement.

Charges on Group's Assets

The Group did not have any asset pledged at the balance sheet date (2005: Nil).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars, US dollars and Renminbi. The management is aware of possible exchange rate exposure due to the continuing appreciation of Renminbi. However, the Group's cash outlay on purchase of raw materials are mainly denominated in Hong Kong dollars and US dollars, foreign exchange exposure to the Group 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 and the use of financial instruments for hedging purposes is considered not necessary at the present moment.

Contingent Liabilities

The Group did not have any significant contingent liabilities at the balance sheet date (2005: Nil).

Employee and Remuneration Policy

As at 31 December 2006, the Group had 2,007 (2005: 2,180) employees spreading from Hong Kong to the PRC and industrial relationship had been well maintained. Remuneration policy of the Group is reviewed regularly, making reference to the legal framework, market condition, performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are reviewed by the Remuneration Committee.

For the year ended 31 December 2007

Business review and prospect

Business Review

For the financial year 2007, turnover of the Group has risen to approximately HK$795.9 million from HK$636.2 million and represented an increase of 25.1% during the year. Net profit attributable to shareholders has increased 13.3% to approximately HK$70.5 million.

2007 is a tough but challenging year for all the PRC based manufacturing industry. The business environment remained very difficult for manufacturers especially with the intense labour shortage problem which we are facing together with the continuous increase in wages. The appreciation of Renminbi for more than 7% during the year has also complicated the matter. The Group has successfully stabilized the material cost through bulk purchase to minimize all these adverse impact on the performance for the year 2007 and to focus more on the high margin products for sustaining growth during the year.

Prospects

The continuous strong demand in consumer electronics goods is an important momentum for the Group's products. With the formal launch of the digital TV broadcasting in Hong Kong and the PRC during 2007 and the up coming 2008 Beijing Olympic Games, a replacement cycle for digital TV has already started which in turn will boost the demand in the electronic components market. In the past few years, the Group has established and strengthened its relationship with many renowned brand manufacturers in the consumer electronics goods industry, we expect the Group, being a major player in the component market, will enjoy the stability in growth in the coming years.

Apart from the established product line, the Group's intention to enter the radio frequency identification (the "RFID") technology industry will start in the year 2008. The RFID tags and inlays production machines have just been shipped from Germany to the PRC, the installation will be completed in April 2008. Training of engineers and pilot run will start in the second quarter 2008, during the first stage of test run, the Group will initially produce tags for its own use especially for in house stock control and counterfeiting purposes. RFID technology is widely applied in product tracking, inventory control and drug authentication which is an inevitable trend in the future, we expect that with the Group's experience in the electronic components market, strong technical support and connection in the semiconductors industry, this new line of products will become another source of contribution in the foreseeable future.

In August 2007, a wholly owned subsidiary of the Company has entered into a conditional sale and purchase agreement for an investment in Vietnam. In March 2008, the seller (reference is made to the Company's announcement dated 27 March 2008), Mr. Li, informed the Group to terminate the sale and purchase agreement due to repeatedly delay in meeting schedules by its joint venture partner in Vietnam, the project would be withdrawn by the Vietnamese Government. Mr. Li agreed to return the deposit paid within 3 months from the date of termination. The termination did not change the Group's intention of entering into the booming Vietnam business environment, especially in the mining industry. The Group will search for any other business opportunities to explore this market with the intent to increase the overall shareholders' wealth.

Segment Information

The major contributor to the Group's turnover and profit was still the electronic components business segment. During the year 2007, its turnover accounted for HK$658.8 million (2006: HK$503.4 million) and the segment profit was HK$89.9 million (2006: HK$78.4 million). The strong demand from the electronic consumer products provided great business opportunities for the Group's products. In particular, with the development of quality products, our "ST" brand SMD SOD/SOT series products has experienced a growth of more than 90% during the year 2007 when compared with the year 2006.

Due to severe competition in the lighter business, the segment result was a loss of HK$2.1 million (2006: loss of HK$1.1 million) despite turnover for the segment experiencing a slight increase to HK$137.1 million (2006: HK$132.8 million). Plastics materials, one of the major components in producing lighters, increased significantly because of the surging global oil price. With the introduction of the New China Labour Law on 1 January 2008, we estimate that the performance of the labour intensive lighter business will be affected significantly, the Group will initiate cost-cutting and business restructuring program for the lighter business segment with a view to reduce the adverse impact in the year 2008.

Financial review

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a healthy financial position. The Group did not have any outstanding bank loan nor overdraft as at 31 December 2007 (2006: Nil). The only borrowing refers to finance lease obligation of approximately HK$1,359,000 (2006: HK$799,000). The gearing ratio (defined as total interest bearing borrowing divided by total equity) was 0.32% (2006: 0.22%). The Group's cash and bank balances amounted to HK$59.4 million (2006: HK$86.6 million) and its current ratio at year end dropped slightly from 3.22 to 3.13. The Group generally finances its operations with internally generated cash flows. At the present moment, the Directors believe that the Group has sufficient financial resources to satisfy its current operations and capital expenditures requirement.

Charges on Group's Assets

The Group did not have any asset pledged at the balance sheet date (2006: Nil).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars, US dollars and Renminbi. The management is aware of the possible exchange rate exposure due to the continuing appreciation of Renminbi and will closely monitor its impact to 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

The Group did not have any significant contingent liabilities at the balance sheet date (2006: Nil).

Employee and Remuneration Policy

As at 31 December 2007, the Group had 2,217 (2006: 2,007) employees spreading from Hong Kong to the PRC and industrial relationship had been well maintained. Remuneration policy of the Group is reviewed regularly, making reference to the legal framework, market condition, performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are reviewed by the Remuneration Committee.

For the year ended 31 December 2008

Business review and prospect

Business Review

Turnover of the Group has decreased to approximately HK$729.0 million in 2008 from HK$795.9 million in 2007, a decrease of 8.4% compare with last year. Profit for the year attributable to equity holders of the Company has dropped 90.9% to approximately HK$6.4 million.

The outset of the global financial turmoil in 2008 significantly affected every aspect of the business environment, from the financial market down to the consumer market. This global economic contraction led to a widespread uncertainty and a sudden freeze in the global consumption. The financial performance of the Group for the year 2008 was materially affected by this economic downturn, especially in the second half of 2008.

Prospects

2009 will certainly be a year of challenge to the Group. In view of the significant decline in demand during the second half of 2008, the Group has reacted quickly to lower its inventory level and closely monitor the trade receivables. As a result, the Group has successfully maintained a healthy financial position and a strong liquidity position, with cash and bank balance of HK$127.8 million being recorded at the 2008 year end, to encounter this tightened credit market condition. With the continued deterioration in global economy and rising unemployment rate, we expect the demand for electronic consumer products will be weakened and market growth for our component products will still be uncertain in year 2009.

However, after the London Summit in April 2009, the G20 groups have agreed to introduce a US$1 trillion plan and series of policies to combat the global recession. Together with the PRC Government's 4 trillion yuan stimulus package and the subsidy for white goods in rural areas, hopefully all these activities will help to rebuild public confidence and boost market consumption. The Group is confident to be able to capitalize on all these opportunities to further develop the PRC market and increase its market share in the future upcoming world economic recovery. The Board will continue to review the Group's business in a cautious way, to restructure and sharpen our competitive edge in order to face the challenges ahead with the intention to increase overall shareholders' wealth.

Segment Information

Despite the increase in turnover for the electronic components business segment for the first half of the year 2008 as compared with the interim period 2007, the annual turnover for this segment has decreased from approximately HK$658.8 million in 2007 to approximately HK$588.3 million in 2008 and its segment result has decreased from approximately HK$89.6 million in 2007 to approximately HK$27.2 million this year. The appreciation of RMB, the rise in labour and material costs, especially in the first half of the year under review all had negative impacts to the manufacturing costs. The spillover effect of the financial crisis in the second half of 2008 has created an unprecedented rate of decline in the global consumer products market, especially the electronic products market.

The result for the electronic components business segment had included an impairment loss provision of approximately HK$19.6 million in respect of the deposit paid for a mining project in Vietnam. The Board after assessing the current economic climate of the world, especially the significant drop in value of the raw mineral resources and the potential viability of other mining investment project, had decided to impair the deposit paid due to the uncertainty in its recoverability.

The result for the lighter business segment for the year 2008 was also disappointing. This segment resulted in a loss of approximately HK$12.8 million (2007: a loss of approximately HK$2.2 million) despite an increase in turnover to approximately HK$140.8 million in 2008 from approximately HK$137.1 million in 2007. During the year, the Group has disposed of its interest in a continuously loss making jointly controlled entity in Shangdong, the PRC. The disposal will release the Group's further responsibility it may face in the upcoming worsen economic condition. Instead, the Group plans to focus its resources to streamline and restructure the existing operation in Jiangxi, the PRC.

Financial review

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a healthy financial position. The outstanding borrowings refer to bank and other borrowings of approximately HK$1,983,000 (2007: Nil) and finance leases obligations of approximately HK$885,000 (2007: HK$1,359,000). The gearing ratio (defined as total interest bearing borrowings divided by total equity) was 0.69% (2007: 0.32%). The Group's cash and bank balances amounted to approximately HK$127.8 million (2007: HK$59.4 million) and its current ratio at year end had increased from 3.13 to 3.42. The Group generally finances its operations with internally generated cash flows. At the present moment, the Directors believe that the Group has sufficient financial resources to satisfy its current operations and capital expenditures requirement.

Charges on Group's Assets

The Group did not have any asset pledged at the balance sheet date (2007: Nil).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars, US dollars and Renminbi. The management is aware of the possible exchange rate exposure due to the continuing appreciation of Renminbi and will closely monitor its impact to 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

The Group did not have any significant contingent liabilities at the balance sheet date (2007: Nil).

Employee and Remuneration Policy

As at 31 December 2008, the Group had 1,573 (2007: 2,217) employees spreading from Hong Kong to the PRC and industrial relationship had been well maintained. Remuneration policy of the Group is reviewed regularly, making reference to the legal framework, market condition, performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are reviewed by the Remuneration Committee.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF CITIC LOGISTICS

Business and financial review

For the period from 8 May 2007 (date of incorporation) to 31 December 2008

Turnover and cost of services

During the period, CITIC Logistics did not have any operation. Therefore no turnover and cost of services were recorded.

Administrative expenses

During the period, administrative expenses of approximately HK$742 thousands were incurred.

Loss for the period

During the period, CITIC Logistics incurred a net loss of approximately HK$742 thousands.

For the 7-month period ended 31 July 2009

Turnover and cost of services

On 1 January 2009, CITIC Logistics commenced its business and mainly engaged in providing logistics service on shipping construction materials and commercial fuel and light petroleum gas. Since then, turnover and cost of services have been recorded.

Administrative expenses

During the period, administrative expenses of approximately HK$2.8 million were incurred. The significant increase in administrative expenses was mainly attributable to its commencement of operation.

Profit for the period

In 2009, CITIC Logistics incurred a net profit of approximately HK$35 million. The significant improvement in the results of CITIC Logistics was mainly attributable to its commencement of operation.

Liquidity, financial resources, capital structure and gearing ratio

Since the incorporation, CITIC Logistics financed its operations and capital expenditures mainly with internally generated funds including capital contribution from their shareholders and funds advanced from its sole director.

As at 31 December 2008 and 31 July 2009, CITIC Logistics had cash and bank balances of approximately HK$1.4 million and HK$26.0 million respectively.

The ratio of current assets to current liabilities of CITIC Logistics was 0.85 as at 31 July 2009 compared to 0.24 as at 31 December 2008. CITIC Logistics's gearing ratio as at 31 July 2009 was 1.48 (31 December 2008: 0.89) which is calculated based on CITIC Logistics's total assets of approximately HK$106.6 million (31 December 2008: approximately HK$6.2 million) and CITIC Logistics total liabilities of approximately HK$72.2 million (31 December 2008: approximately HK$6.9 million).

The capital structure of CITIC Logistics consists of debt which includes amount due to a director and equity attributable to owners of CITIC Logistics, comprising issued share capital and retained profits. CITIC Logistics monitors its liquidity requirements on a short to medium term basis and arranges refinancing of its borrowings when appropriate.

As at 31 December 2008 and 31 July 2009, CITIC Logistics did not have any liability bearing fixed interest rates and all the borrowings or advances were made in Hong Kong dollars.

The management of CITIC Logistics reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. CITIC Logistics will balance its overall capital structure through the payment or borrowings from the sole director.

Prospects

Since the commencement of business on 1 January 2009, the management of CITIC Logistics has been exploring business opportunity in different regions of the world. Besides strengthening its business in its current logistics services, CITIC Logistics will continue to extend its logistics network globally and maximize its profitability.

Acquisitions, disposals and significant investments

Since its incorporation, CITIC Logistics have had no acquisitions, disposals nor significant investment.

Segmental information

The management of CITIC Logistics has identified its reportable segment as (1) logistics service on shipping construction materials and (2) logistics service on transportation of commercial fuel and light petroleum gas, which in aggregate represents the logistics services provided by CITIC Logistics. The director of CITIC Logistics assesses the performance of individual operating segments based on the gross profit earned by each segment and this is the measure reported to him for the purpose of resource allocation and assessment of performance.

For the 7-month period ended 31 July 2009, the operating segment of logistics service on shipping construction materials constituted approximately 92% of the turnover of CITIC Logistics.

As CITIC Logistics commenced its operation on 1 January 2009, no segment information is presented for the period prior to 1 January, 2009.

Employees and remuneration policy

As at 31 December 2008 and 31 July 2009, CITIC Logistics had 1 and 61 full-time employees respectively. Employee remuneration for the period ended 31 December 2008 and 7-month ended 31 July 2009 was approximately HK$115 thousands and HK$5.6 million respectively. The pay scale of the CITIC Logistics's employees is maintained at a competitive level and the employees are rewarded on a performance-related basis within the general framework of the CITIC Logistics's salary system, which is reviewed annually. Other benefits to the employees include staff quarter, medical insurance and retirement scheme.

Future plan

CITIC Logistics currently does not have any future plans for material investments or capital assets.

Exposure to exchange rate fluctuation

CITIC Logistics has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of CITIC Logistics, United States dollars or Hong Kong dollars. CITIC Logistics currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. CITIC Logistics will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

CITIC Logistics had no charge on asset as at 31 December 2008 and 31 July 2009.

Contingent liabilities

CITIC Logistics had no significant contingent liabilities as at 31 December 2008 and 31 July 2009.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained herein, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date and immediately following issue of the Consideration Shares and Convertible Notes will be as follows (assuming no further Shares are issued or repurchased by the Company after the Latest Practicable Date up to the date of issue of the Consideration Shares and Convertible Notes):

		Number of Shares	Amount
			HK$
Authorized:			
(a)	As at the Latest Practicable Date	12,000,000,000	120,000,000
(b)	After Completion: Increase in authorized share capital	18,000,000,000	180,000,000
Total:		30,000,000,000	300,000,000
Issued and fully paid or to be issued as fully paid or credited to be fully paid:			
(a)	As at the Latest Practicable Date	3,797,500,100	37,975,001
(b)	After Completion:		
	Consideration Shares to be issued upon Completion	1,620,000,000	16,200,000
	Conversion Shares to be issued upon conversion of Convertible Notes in the principal amount of HK$950,400,000 (assuming maximum conversion)	7,920,000,000	79,200,000
	Conversion Shares to be issued upon conversion of Additional Convertible Notes (assuming maximum conversion)	3,750,000,000	37,500,000
		17,087,500,100	170,875,001

There has been no alteration in the issued share capital of the Company since 31 December 2008, the day on which the latest audited accounts of the Group were made up, up to the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO were as follows:

Long Position in Shares and underlying Shares of the Company

Name of director	Capacity	Number of issued ordinary Shares held	Number of underlying Shares under equity derivative of the Company	Total interest	Percentage of shareholding
Lam Pik Wah	Held by controlled corporation	608,400,000 *(Note 1)*	121,000,000	729,400,000	19.21%
Lam Hung Kit	Held by controlled corporation	608,400,000 *(Note 1)*	121,000,000	729,400,000	19.21%
Lam Yat Keung	Held by family	608,400,000 *(Note 2)*	121,000,000	729,400,000	19.21%

Note 1: These ordinary shares are owned by Smart Number Investments Limited ("Smart Number"), a company incorporated in the British Virgin Islands. The entire issued share capital of Smart Number is beneficially owned as to 66.67% by Ms. Lam Pik Wah and as to 33.33% by Mr. Lam Hung Kit.

Note 2: These ordinary shares are owned by Smart Number, a controlled company of Ms. Lam Pik Wah, the wife of Mr. Lam Yat Keung.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Company pursuant to section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long positions in Shares and underlying Shares of the Company

Shareholders	Capacity	Number of issued ordinary Shares held	Number of underlying Shares under equity derivative of the Company	Total interest	Percentage of shareholding
Smart Number Investments Limited *(Note 1)*	Beneficial owner	608,400,000	121,000,000	729,400,000	19.21%
Forever Gain Profits Limited *(Note 2)*	Beneficial owner	580,000,000	116,000,000	696,000,000	18.33%
Mr. Wan Bing Hung *(Note 2)*	Held by controlled corporation	580,000,000	116,000,000	696,000,000	18.33%
Mr. Kwong Chi Shing Savio *(Note 3)*	Beneficial owner	239,980,000	–	239,980,000	6.32%
Mr. Li Wei Min *(Note 4)*	Beneficial owner	1,620,000,000	7,920,000,000	9,540,000,000	251.22%

Note 1: The above interests in the name of Smart Number was also disclosed as interests of certain directors under the heading "Interests of Directors". Ms. Lam Pik Wah and Mr. Lam Hung Kit are also directors of Smart Number.

Note 2: According to the Disclosure of Interests form dated 3 January 2008, Forever Gain Profits Limited is wholly owned by Mr. Wan Bing Hung.

Note 3: According to the Disclosure of Interests form dated 16 May 2006, Mr. Kwong Chi Shing Savio is beneficially interested in 239,980,000 shares of the Company.

Note 4: According to the Disclosure of Interests form dated 8 October 2009 filed with the Company, Mr. Li Wei Min has a long position in a total of 9,540,000,000 Shares, consisting of an interest in (i) 1,620,000,000 Shares and (ii) a derivative interest in 7,920,000,000 Shares.

Interest of substantial shareholder of other member of the Group

Name of member of the Group	Name of substantial shareholder	Percentage of shareholding as at the Latest Practicable Date
Supreme Gold Development Limited	Tsai Cheng Mei	48%

Save as disclosed above, as at the Latest Practicable Date, the Directors or the chief executive of the Company were not aware of any persons (other than Directors or chief executive of the Company) who had, or were deemed to have, interest or short positions in the Shares and underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensations (other than statutory compensation)).

6. LITIGATION

As at the Latest Practicable Date, one of the subsidiaries of Classic Line International Limited ("Classic Line"), a subsidiary of the Company, has been and is the subject of a judgment (in the amount of approximately 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. As disclosed in the announcement of the Company dated 29 September 2009 and the circular of the Company dated 13 October 2009, a sale and purchase agreement dated 28 September 2009 was entered into between the Company and Mr. Sher Tak Chi in respect of the disposal of the entire issued share capital of Classic Line by the Company.

Save as disclosed above, the Enlarged Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Enlarged Group as at the Latest Practicable Date.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date:–

(a) none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2008, being the date up to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(b) none of the Directors is materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the date of this circular which is significant in relation to the business of the Enlarged Group.

8. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinions or advice, which is contained in this circular.

Name	Qualification
SHINEWING (HK) CPA Limited	Certified public accountants
Deloitte Touche Tohmatsu	Certified public accountants

As at the Latest Practicable Date, none of the above expert had direct or indirect shareholdings in any member of the Enlarged Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Enlarged Group.

Each of the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

9. MATERIAL CONTRACTS

Save and except the transactions disclosed below, there are no material contracts (being contracts entered outside the ordinary course of business carried on or intended to be carried on by the Enlarged Group) having been entered into by any member of the Enlarged Group within the two years preceding the Latest Practicable Date:

(i) the Agreement; and

(ii) a sale and purchase agreement dated 28 September 2009 entered into between the Company and Mr. Sher Tak Chi, pursuant to which, the Company has agreed to sell, and Mr. Sher Tak Chi has agreed to purchase (i) the entire issued share capital of Classic Line International Limited, a wholly owned subsidiary of the Company, and (ii) the shareholder's loan in the amount of approximately HK$2,423,089 owed by Classic Line International Limited to the Company for an aggregate consideration of HK$15,000,000.

10. CORPORATE INFORMATION

(i) The registered office and the principal place of business of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 26/F., CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, Hong Kong respectively.

(ii) The secretary of the Group is Ms. Yu Miu Yee, Iris who holds a Master of Business Administration Degree and is a fellow member of the Association of Chartered Certified Accountants, associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Company Secretaries.

(iii) The branch share registrar of the Company is Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong.

11. MISCELLANEOUS

The English text of this circular will prevail over the Chinese text in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 2605-09, CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, New Territories, Hong Kong during the normal business hours from the date of this circular up to and including 9 November 2009:

(i) the bye-laws of the Company;

(ii) the letter from the Board, the text of which is set out on pages 6 to 21 of this circular;

(iii) the annual reports of the Company for the year ended 31 December 2006, 2007 and 2008;

(iv) the accountants' report of CITIC Logistics, the text of which is set out in Appendix II to this circular;

(v) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(vi) the consent letters referred to in the section headed "Experts and Consents" in this appendix;

(vii) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(viii) the service agreements entered into between each of the executive Directors and the Company;

(ix) the circular of the Company dated 13 October 2009 in respect of the disposal of the entire issued share capital of Classic Line International Limited; and

(x) this circular.

SINO-TECH INTERNATIONAL HOLDINGS LIMITED
泰 豐 國 際 集 團 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Sino-Tech International Holdings Limited (the "**Company**") will be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Monday, 9 November 2009 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**

(a) the sale and purchase agreement dated 13 September 2009 (the "**Agreement**") entered into between the Company, Top Victory Industries Limited, a wholly-owned subsidiary of the Company ("**Top Victory**") as the purchaser, Mr. Li Wei Min ("**Mr. Li**") as the vendor, for the sale and purchase of 10,000 shares (the "**Sale Shares**") of, representing the entire issued share capital of CITIC Logistics (International) Company Limited ("**CITIC Logistics**") (a copy of the Agreement has been produced to the SGM marked "A" and signed by the chairman of the SGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the allotment and issue of 1,620,000,000 new shares of HK$0.01 each in the capital of the Company to Mr. Li as consideration for the sale and purchase of the Sale Shares in accordance with the terms and conditions set out in the Agreement be and is hereby approved;

(c) the issue of convertible notes of the Company ("**Convertible Notes**") in the principal amount of not more than HK$1,400,400,000 to Mr. Li in accordance with the terms of the Agreement and the allotment and issue of such number of new shares of HK$0.01 each in the capital of the Company upon exercise of conversion right attaching to the Convertible Notes at the conversion price of HK$0.12 in accordance with the terms and conditions of the Convertible Notes be and is hereby approved; and

* *For identification purpose only*

(d) any one director of the Company or, if the common seal of the Company is required, any two directors of the Company, be and are hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver all such documents, deeds, instruments and agreements, and to do all such acts, matters and things and to take such steps as they may in their discretion consider necessary or desirable or expedient for the purpose of or in connection with these resolutions and the Agreement and to make and agree such variations of a non-material nature in or to the terms of the Agreement as they may in their discretion consider to be desirable and in the interests of the Company."

(2) "**THAT** the authorised share capital of the Company be and is hereby increased from HK$120,000,000 divided into 12,000,000,000 shares of a par value of HK$0.01 each to HK$300,000,000 divided into 30,000,000,000 shares of a par value of HK$0.01 each by the creation of an additional 18,000,000,000 new shares of a par value of HK$0.01 each which shall rank pari passu in all respects with the existing shares of HK$0.01 each in the share capital of the Company."

By Order of the Board
Sino-Tech International Holdings Limited
Yu Miu Yee, Iris
Company Secretary

Hong Kong, 19 October 2009

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.

3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be delivered to the Company's branch registrar, Tricor Tengis Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

4. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. The form of proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

6. Where there are joint holders of any shares of the Company any one of such joint holder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such holders be present at the meeting the vote of the senior who tenders a vote, whether in personal or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.