

Interim Report  
2008/09



CIL HOLDINGS LIMITED

華建控股有限公司

(Incorporated in Bermuda with limited liability)  
Stock code : 479

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## CORPORATE INFORMATION

### DIRECTORS

Ke Jun Xiang (*Chairman*)

Ho Pui Tsun, Peter (*Deputy Chairman*)

Shao Wei Hong

Hu Yeshan

Simon Ng

(appointed on 19 April 2010)

Li Qinyi\*

Chow Yeung Tuen, Richard\*

(appointed on 19 April 2010)

Lo Yuen Lai\*

(appointed on 19 April 2010)

Kwok Yam Sheung\*\*

Chan Man Wai, Joman\*\*

(appointed on 19 April 2010)

Chan Siu Kay\*\*

(appointed on 19 April 2010)

\* *Non-Executive Director*

\*\* *Independent Non-Executive Director*

### COMPANY SECRETARY

Chiu King Hoi, Anthony

### PRINCIPAL BANKERS

Bank of China (Hong Kong)

DBS Bank (Hong Kong) Limited

The HSBC Corporation Limited

Guangdong Development Bank

### AUDITORS

Graham H. Y. Chan & Co.

Unit 1, 15/F, The Center

99 Queen's Road Central, Hong Kong

### SHARE REGISTERS

#### Bermuda

The Bank of Bermuda Limited

6 Front Street

Hamilton HM11

Bermuda

#### Hong Kong

Tricor Tengis Limited

Level 28, Three Pacific Place

1 Queen's Road East

Hong Kong

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12/F, Bank of Communications Building

563 Nathan Road

Kowloon, Hong Kong

### STOCK CODE

00479

The Board of Directors (the "Board") of CIL Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (herein collectively referred to as the "Group") for the six months ended 31 December 2008 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008

		<b>For the six months ended 31 December</b>	
		<b>2008</b>	2007
	<i>Note</i>	<b>Unaudited HK\$'000</b>	Unaudited HK\$'000
<b>Turnover</b>	2	<b>57,952</b>	94,188
<b>Cost of sales</b>		<b>(54,430)</b>	(89,529)
<b>Gross profit</b>		<b>3,522</b>	4,659
Other income	3	<b>874</b>	2,071
General and administrative expenses		<b>(9,367)</b>	(5,671)
Finance costs	4	<b>(1,190)</b>	(1,035)
<b>(Loss)/Profit before taxation</b>	5	<b>(6,161)</b>	24
<b>Taxation</b>	6	-	-
<b>(Loss)/Profit for the period</b>		<b>(6,161)</b>	24
<b>Attributable to:</b>			
Equity holders of the Company		<b>(6,161)</b>	24
Minority interest		-	-
		<b>(6,161)</b>	24
(Loss)/Earnings per share	7		
– Basic		<b>(0.10) cents</b>	Nil
– Diluted		<b>N/A</b>	N/A
Interim dividend	8	<b>Nil</b>	Nil

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 31 December 2008

		<b>As At</b>	
		<b>31 December 2008</b>	30 June 2008
		<b>Unaudited</b>	Audited
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>771</b>	936
Available-for-sale investment		-	-
		<b>771</b>	936
<b>Current assets</b>			
Prepayments, deposits and other receivables		<b>7,370</b>	8,831
Inventories		<b>7,523</b>	13,672
Accounts receivable	9	<b>14,492</b>	18,368
Bank balances and cash		<b>24,868</b>	25,608
		<b>54,253</b>	66,479
<b>Current liabilities</b>			
Accounts and bills payables	10	<b>19,476</b>	24,084
Accruals, deposits received and other payables		<b>80,638</b>	82,270
Interest payable of unsecured borrowings		<b>20,221</b>	19,384
Interest-bearing borrowings		<b>40,629</b>	40,473
Due to directors		<b>14,164</b>	15,147
		<b>175,128</b>	181,358
<b>Net current liabilities</b>		<b>(120,875)</b>	(114,879)
<b>Total assets less current liabilities</b>		<b>(120,104)</b>	(113,943)
<b>Capital and reserves</b>			
Share capital	11	<b>61,749</b>	61,749
Reserves		<b>(181,853)</b>	(175,692)
		<b>(120,104)</b>	(113,943)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2008

	<b>Issued capital</b>	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2007 (audited)	61,749	293,907	(100)	(460,212)	(104,656)
Net profit for the period	–	–	–	24	24
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007 (unaudited)	61,749	293,907	(100)	(460,188)	(104,632)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2008 (audited)	61,749	293,907	(100)	(469,499)	(113,943)
Net loss for the period	–	–	–	(6,161)	(6,161)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008 (unaudited)	61,749	293,907	(100)	(475,660)	(120,104)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2008

	<b>For the six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(888)</b>	(6,049)
Net cash used in investing activities	<b>(8)</b>	(414)
Net cash from financing activities	<b>330</b>	5,222
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(566)</b>	(1,241)
Cash and cash equivalents at 30 June	<b>25,434</b>	23,464
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<b>24,868</b>	22,223
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	<b>24,868</b>	22,243
Bank overdrafts	<b>-</b>	(20)
	<hr/>	<hr/>
	<b>24,868</b>	22,223
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2008*

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements ("Interim Financial Statements") for the six months ended 31 December 2008 ("Current Period") have been prepared in accordance with Hong Kong Statement of Standard Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Interim Financial Statements were approved for issue by the board of directors on 31 March 2009.

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2008.

The HKICPA had issued a number of new or revised standards, amendments and interpretations that were effective or available for early adoption for the Current Period. The Group has adopted all new or revised standards, amendments and interpretations that are effective for the Current Period and are relevant to the Group's operations. The adoption of these new or revised standards, amendments and interpretations has no significant impact on the Group's results and financial position.

The Group has not early adopted the new or revised standards and interpretations that have been issued but are not yet effective. The Group has carried out an assessment of these new or revised standards and interpretations and considered that the application of these new or revised standards and interpretations will not result in substantial effect on the Group's accounting policies.

In preparing the financial statements, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 31 December 2008. The Group incurred a loss of HK\$6,160,000 for the six months ended 31 December 2008, and as at that date, it had consolidated net current liabilities and consolidated net liabilities of HK\$120,875,000 and HK\$120,104,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) the Group has been actively discussing with prospective investors to obtain new working capital;



## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

- (ii) the Company's controlling shareholder has agreed to provide financial support as is necessary to enable the Group to meet its liabilities as they fall due; and
- (iii) based on a cash flow forecast prepared by the Group's management for the eighteen months ending 31 December 2009, the Group will be able to generate adequate cash flows for its operation.

The ability to obtain new working capital from the investor is dependent on the approval by the Stock Exchange of Hong Kong Limited ("Stock Exchange") of the resumption proposal and the trading of the Company's shares on the Stock Exchange successfully resumed.

Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the six month ended 31 December 2008 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the financial statements.

## 2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amount received and receivable for goods sold during the period.

### (a) Business segments

The Group's turnover represents the revenue generated from the business of trading of multi-media and communication products. Accordingly, no business segment information is required.

### (b) Geographical segments

	<b>For the six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Segment revenue by location of customers		
PRC, excluding Hong Kong	<b>43,861</b>	67,597
Hong Kong	<b>14,091</b>	26,591
	<b>57,952</b>	94,188

## 2. TURNOVER AND SEGMENT INFORMATION (Continued)

### (b) Geographical segments (Continued)

	As at	
	31 December 2008 <i>HK\$'000</i>	30 June 2008 <i>HK\$'000</i>
Segment assets by location of assets		
PRC, excluding Hong Kong	<b>46,519</b>	29,091
Hong Kong	<b>8,505</b>	38,324
	<b>55,024</b>	67,415
	<b>For the six months ended 31 December 2008 <i>HK\$'000</i></b>	<b>2007 <i>HK\$'000</i></b>
Capital expenditures by location of assets		
PRC, excluding Hong Kong	<b>8</b>	18
Hong Kong	-	491
	<b>8</b>	509
	<b>For the six months ended 31 December 2008 <i>HK\$'000</i></b>	<b>2007 <i>HK\$'000</i></b>
Interest income	<b>80</b>	95
Commission income	<b>794</b>	1,925
Others	-	51
	<b>874</b>	2,071

## 3. OTHER INCOME

#### 4. FINANCE COSTS

	<b>For the six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Interests on:		
Bank loans, bills and overdrafts wholly repayable within five years	<b>287</b>	592
Other borrowing costs	<b>903</b>	443
	<b>1,190</b>	1,035

#### 5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation has been arrived at after charging the following:

	<b>For the six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Cost of goods sold and services provided	<b>54,430</b>	89,529
Staff costs (including directors' emoluments)	<b>2,058</b>	2,506
Pension scheme contributions	<b>37</b>	44
Depreciation	<b>173</b>	154
Operating lease rentals in respect of land and buildings	<b>418</b>	1,154

#### 6. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements since there is no estimated assessable profit derived from Hong Kong for the period (2007: Nil).

## 7. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the period ended 31 December 2008 is based on the loss attributable to shareholders of approximately HK\$6,161,000 (2007: earnings of HK\$24,000) and 6,174,917,000 (2007: 6,174,917,000) ordinary shares in issue during the period.

Diluted loss per share was not presented as there was no dilutive potential ordinary share in issue for the periods ended 31 December 2008 and 2007.

## 8. INTERIM DIVIDENDS

No interim dividend was paid or proposed for the period ended 31 December 2008 (2007: Nil), nor has any dividend been proposed since the balance sheet date.

## 9. ACCOUNTS RECEIVABLE

All of the accounts receivable are stated net of provision of bad and doubtful debts and are expected to be recovered within one year. The Group allows an average credit period of 30 days to its trade customers. The aging analysis is as follows:

	<b>As at</b>	
	<b>31 December</b>	30 June
	<b>2008</b>	2008
	<b>HK\$'000</b>	HK\$'000
0 – 90 days	<b>13,524</b>	18,286
91 – 180 days	<b>968</b>	82
181 – 365 days	–	–
Over 1 year	<b>2,971</b>	2,971
	<hr/>	<hr/>
	<b>17,463</b>	21,339
Less: allowances for doubtful debts	<b>(2,971)</b>	(2,971)
	<hr/>	<hr/>
	<b>14,492</b>	18,368
	<hr/> <hr/>	<hr/> <hr/>

**10. ACCOUNTS AND BILLS PAYABLES**

	<b>As at</b>	
	<b>31 December 2008 HK\$'000</b>	30 June 2008 HK\$'000
Accounts payable	<b>11,710</b>	14,100
Bills payable, secured	<b>7,766</b>	9,984
	<b>19,476</b>	24,084

All of the accounts payable are expected to be settled within one year. The aging analysis is as follows:

	<b>As at</b>	
	<b>31 December 2008 HK\$'000</b>	30 June 2008 HK\$'000
0 – 90 days	<b>9,476</b>	8,874
91 – 180 days	-	-
Over 180 days	<b>2,234</b>	5,226
	<b>11,710</b>	14,100

**11. SHARE CAPITAL**

	<b>As at</b>			
	<b>31 December 2008</b>		30 June 2008	
	<b>No. of shares (<i>'000</i>)</b>	<b>HK\$'000</b>	No. of shares ( <i>'000</i> )	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<b>600,000,000</b>	<b>600,000</b>	600,000,000	600,000
Issued and fully paid:				
Beginning of period/year	<b>6,174,917</b>	<b>61,749</b>	6,174,917	61,749
Movement during period/year	-	-	-	-
End of period/year	<b>6,174,917</b>	<b>61,749</b>	6,174,917	61,749

## 12. PLEDGE OF ASSETS

At 31 December 2008, the Group's fixed deposits of HK\$868,000 were pledged to bank to secure banking facilities granted to the Group.

## 13. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material related party transactions.

### (a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees are as follows:

	<b>For the six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>1,104</b>	1,256
Post-employment benefits	<b>28</b>	24
	<b>1,132</b>	1,280

### (b) During the period, the Group entered into the following material related party transactions.

<b>Related party</b>	<b>Transaction</b>	<b>For the six months ended 31 December</b>	
		<b>2008</b>	2007
		<b>HK\$'000</b>	HK\$'000
AVT International Limited (note i)	Purchases	-	165
	Sales	<b>2,396</b>	1,378
Nicegoal Limited (note ii)	Rent paid	-	156
Minority shareholder of a subsidiary (note iii)	Rent paid	<b>234</b>	-

**13. RELATED PARTY TRANSACTIONS (Continued)**

- (c) Included in accruals, deposits received and other payables in the consolidated balance sheet as at 31 December 2008, was amounts of approximately HK\$12,810,000 due to related parties (2007: HK\$4,444,000). The amounts are unsecured, interest free and have no fixed term of repayment.

<b>Related party</b>	<b>For the six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Nicegoal Limited ( <i>note ii</i> )	<b>1,242</b>	977
Trade Honour Limited ( <i>note iv</i> )	<b>654</b>	654
AVT International Limited ( <i>note i</i> )	<b>10,914</b>	2,813
	<b>12,810</b>	4,444

- (d) Included in interest-bearing borrowings in the consolidated balance sheet as at 31 December 2008, was amounts of approximately HK\$20,000 due to a minority shareholder of AVT Electronics Limited. This loan is secured by personal guarantee executed by a director of the company, interest-bearing at 2% per month and repayable upon the expiry of two months from the date of the loan agreement.

**13. RELATED PARTY TRANSACTIONS (Continued)**

- (e) Motor vehicle with net book value of HK\$376,000 and fixed deposits-pledged of HK\$686,000 included in the consolidated balance sheet as at 31 December 2008 are registered in name of a director of AVT Electronics Limited, a subsidiary of the Company.

*Notes:*

- i) AVT International Limited is controlled by a minority shareholder and director of AVT Electronics Limited which is a subsidiary of the Company. The above transactions were carried out at terms determined and agreed with both parties.
- ii) Nicegoal Limited is controlled by the minority shareholders of AVT Electronics Limited. The rental expenses were based on the tenancy agreement signed by the Group and Nicegoal Limited.
- iii) The rental expenses were based on the tenancy agreement signed by the Group and a minority shareholder of AVT Electronics Limited.
- iv) Trade Honour Limited is the parent company of the Company.

**14. CONTINGENT LIABILITIES**

At 31 December 2008, the Group had no contingent liabilities (2007: Nil).



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial results**

The Group recorded a consolidated turnover of HK\$57,952,000, a decrease of 38.5% over last period. Loss attributable to equity holders was HK\$6,161,000 as compared to profit of HK\$24,000 of last period, representing loss per share of HK0.10 cents (2007: Nil). Improving the financial condition of the Group continues to be the primary target of the management.

### **Business review and outlook**

During the period, the Company's principal activity continued to be investment holding whilst its major subsidiary was mainly engaged in trading of multi-media and communication products.

The management is working aggressively with financial advisors and lawyers on the resumption of trading of the company stocks on the Stock Exchange. If the resumption is successful, the Group will consider acquiring additional capital to strengthen its financial base.

Other than its existing core business, the management will continue put its best effort to explore new businesses to enhance value of the Group; to keep operating expenses at the minimum level and to maintain resources for future developments.

### **Liquidity and financial resources**

As at 31 December 2008, the Group had net liabilities of HK\$120,104,000 comprising total assets of HK\$55,024,000 and total liabilities of HK\$175,128,000. The Group's non-current assets consisted solely of property, plant and equipment of HK\$771,000. The current ratio, representing by current assets divided by current liabilities, was 0.31. The bank balances and cash at the balance sheet date was HK\$24,868,000.

As at 31 December 2008, The Group had short-term borrowings of HK\$40,629,000. The loans were subject to interest at prevailing commercial lending rates. Calculation of the gearing ratio, which is based on the total borrowings and the Group's shareholders' funds, would not be appropriate as the shareholders' funds were negative as at the balance sheet date.

The Group will actively seek for financial resources and improve its capital structure so as to strengthen its financial base and will also restructure its existing operation to improve shareholder returns.

**Foreign currency exposure**

The Group was exposed to foreign exchange risk arising from the exposure of HK\$ against RMB as HK\$24,555,000 of the Group's bank balance was denominated in RMB at the balance sheet date (2007: HK\$20,012,000).

**Material acquisitions and disposals of investments**

During the period ended 31 December 2008, there was no material acquisition or disposal of subsidiaries or affiliated companies.

**Employees and remuneration policy**

The Group employed a staff of 40 persons as at 31 December 2008 (2007: 40). They were remunerated according to the prevailing manpower conditions and individual performance. There was no change on the staff policy during the period.

## SUPPLEMENTARY INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2008, the interests of the directors and the chief executive of the Company and/or their respective associates in the long or short positions in shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Listing Rules were as follows:

#### Long position in the shares of the Company:

Name of director	Number of ordinary shares beneficially held	Nature of interest	Approximate percentage of total shareholding (%)
Mr. Ke Jun Xiang	3,530,000,000 <i>(Note)</i>	Interest in corporation	57.17

*Note:* Mr. Ke Jun Xiang ("Mr. Ke") had a controlling interest in Global Work Management Limited and Trade Honour Limited ("Trade Honour") which held 30,000,000 and 3,500,000,000 ordinary shares of the Company respectively. Accordingly, Mr. Ke was deemed to have interests in 3,530,000,000 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2008, none of the directors and/or any of their associates had any interests in the shares or deemed interest in the long and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the following persons (other than the directors or the chief executive of the Company) had an interest in the following long position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

### Long position in the shares of the Company:

Name of shareholders	Notes	Nature of interest	Number of ordinary shares held	Approximate percentage of total shareholding (%)
Trade Honour Limited		Beneficial Owner	3,500,000,000	56.68
Upperclass Limited		Beneficial Owner	500,000,000	8.10
Yau Kwok Wai	1	Interest in Corporation	500,000,000	8.10
ICEA Financial Services Limited		Beneficial Owner	510,406,044	8.27
ICEA Financial Holdings Limited	2	Interest in Corporation	510,406,044	8.27
Industrial and Commercial Bank of China	3	Interest in Corporation	510,406,044	8.27

#### Notes:

- The interest disclosed comprised 500,000,000 shares held by Upperclass Limited, which is 100% owned by Yau Kwok Wai.
- The interest disclosed comprised 510,406,044 shares held by ICEA Financial Services Limited, which is 100% owned by ICEA Financial Holdings Limited.
- The interest disclosed comprised 510,406,044 shares beneficially held by ICEA Financial Holdings Limited, which is 75% owned by Industrial and Commercial Bank of China, through ICEA Financial Holdings Limited.

Saved as disclosed above, so far as known to the directors as at 31 December 2008, no other person (other than directors or the chief executive of the Company) had an interest in the long and short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

### **DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the period was the Company or its subsidiaries, a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors' or chief executives or their spouses or children under 18 years of age, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

### **PURCHASE, SALE OF REDEMPTION OF THE COMPANY'S SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Bye-Laws of the Company or the laws of Bermuda in relation to issues of new shares by the Company.

### **CORPORATE GOVERNANCE**

Commencing from 1 July 2005, the Company has adopted the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Listing Rules. Despite the fact that the Company has made effort to maintain proper corporate governance standard, certain code provisions are not fully complied with and the material deviations are set out below:

- (a) Under Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman of the Company is now performing both roles. The board will continue to review the management structure, taking into consideration and the nature and extent of the Group's operation.

- (b) Under Code provision A.3.2, the Company should appoint independent non-executive directors representing at least one-third of the board. Subsequent to the resignation of one independent non-executive director during the last financial year, out of the six directors in the board, only one of them was independent non-executive directors and rule 3.10 of the Listing Rules, which requires the board of the Company must include at least three independent non-executive directors, was also not complied with.
- (c) Under Code provision A.4.1, The non-executive directors should be appointed for a specific term, subject to re-election. Non-executive directors of the Company are not appointed for a specific term but are subject to retirement and re-election at the annual general meeting in accordance with the Company's Bye-Law.
- (d) Under Code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. All directors of the Company are subject to retirement and re-election at the annual general meeting in accordance with the Company's Bye-Law.
- (e) Under Code provisions B.1.1 to B.1.5, remuneration committee has to be set up by the Company. The Company has not established a remuneration committee but will do so when the Company has appointed at least three independent non-executive directors.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the period ended 31 December 2008.

## **REVIEW OF RESULTS BY AUDIT COMMITTEE**

The Audit Committee of the Company, the sole member of which being the only existing independent non-executive director, has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the figures in respect of this interim report.

## **SUSPENSION OF TRADING**

Dealing in the shares of the Company has been suspended by the Stock Exchange since 1 April 2004 mainly for the reason that the Company failed to keep the market informed of its developments and make timely disclosure of its financial position for a period of time. The Listing Committee of the Stock Exchange decided on 29 November 2007 to give the Company a period of six months to remedy those matters which had rendered it unsuitable for listing. If the Company failed to take adequate action to meet the conditions for resumption as required and obtain a restoration of listing, the Stock Exchange intended to cancel the listing of the Company on 12 June 2008.

A resumption proposal which contains the actions taken or proposed to be taken by the Company to remedy those matters raised by the Stock Exchange has been submitted to the Stock Exchange on 28 May 2008.

The Stock Exchange has subsequently requested the Company to provide further information and address certain issues. The Company is currently working towards providing further information to the Stock Exchange and to carry out actions necessary to fulfill the conditions for resumption. As at the date of this report, the resumption proposal has not been approved by the Stock Exchange but further announcements will be made on the progress if and when there are material developments.

By Order of the Board  
**CIL Holdings Limited**  
**Ke Jun Xiang**  
*Chairman*

Hong Kong, 31 March 2009