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CIL Holdings Limited

華建控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 00479)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2010

RESULTS

The Board of Directors (the “Board”) of CIL Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (herein collectively referred to as the “Group”) for the year ended 30 June 2010 together with the comparative figures for 2009 as follows:

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	<i>Note</i>	2010 HK\$'000	2009 HK\$'000
Turnover	4	219,757	111,052
Cost of sales		(209,379)	(103,516)
Gross profit		10,378	7,536
Other income	5	2,700	1,715
Written-back of loan, interest and other payables	6	5,554	14,553
Administrative expenses		(11,930)	(17,906)
Finance costs	7	(5,525)	(2,263)
Profit before taxation	8	1,177	3,635
Taxation	9	–	–
Profit for the year		1,177	3,635
Total comprehensive income for the year		1,177	3,635

	<i>Note</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Total comprehensive income/(loss)			
attributable to:			
Owners of the Company	10	(274)	3,635
Minority interest		<u>1,451</u>	<u>–</u>
		<u><u>1,177</u></u>	<u><u>3,635</u></u>
(Loss)/earnings per share	11		
– Basic		<u><u>(0.004) cents</u></u>	<u><u>0.060 cents</u></u>
– Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Details of dividend payable to owners of the Company are set out in note 12.

Consolidated Statement of Financial Position

As at 30 June 2010

	<i>Note</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		316	607
Available-for-sale investment		—	—
		<u>316</u>	<u>607</u>
Current assets			
Prepayments, deposits and other receivables		1,220	7,268
Inventories		15,664	6,941
Trade receivables	13	27,886	14,919
Fixed deposits – pledged		1,312	1,693
Bank balances and cash		24,625	26,227
		<u>70,707</u>	<u>57,048</u>
Current liabilities			
Trade and bills payables	14	13,366	20,902
Accruals, deposits received and other payables		54,444	67,267
Interest payable of borrowings		15,124	12,336
Interest-bearing borrowings		70,054	36,656
Due to related parties		19,578	13,776
Due to directors		7,588	17,026
		<u>180,154</u>	<u>167,963</u>
Net current liabilities		<u>(109,447)</u>	<u>(110,915)</u>
Total assets less current liabilities		<u>(109,131)</u>	<u>(110,308)</u>
Capital and reserves			
Issued capital		61,749	61,749
Reserves		(172,331)	(172,057)
		<u>(110,582)</u>	<u>(110,308)</u>
Minority interests		1,451	—
		<u>(109,131)</u>	<u>(110,308)</u>

Notes to the Financial Statements

For the year ended 30 June 2010

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term referred to all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The consolidated financial statements have been prepared under the historical cost convention.

In preparing the financial statements, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 30 June 2010. As at that date, the Group and the Company had consolidated net current liabilities of HK\$109,447,000 (2009: HK\$110,915,000) and HK\$103,127,000 (2009: HK\$100,167,000) respectively, and had consolidated net liabilities of HK\$109,131,000 (2009: HK\$110,308,000) and HK\$103,107,000 (2009: HK\$100,147,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on Group’s ability to continue as a going concern and that it may be unable to realise 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 the Company has received a written reply on 16 April 2010 (the “Reply”) from the Stock Exchange in relation to a resumption proposal put forward by the Company (the “Resumption Proposal”) to the Stock Exchange. The Listing Committee of the Stock Exchange decided to allow the Company to proceed with the Resumption Proposal if it fulfills the following conditions to the Stock Exchange’s satisfaction within six months from the date of the Reply:

- (a) completion of the fund raising exercise;
- (b) inclusion in the circular to the shareholders of the Company a statement from the directors of the Company confirming working capital sufficiency for 12 months from resumption of trading of the shares of the Company and a comfort letter from the auditors/financial adviser on the directors’ statement;
- (c) inclusion in the circular to shareholders in relation to the Resumption Proposal a profit forecast for the year ending 30 June 2011 together with reports from the auditors and financial adviser of the Company under paragraph 29(2) of Appendix 1b of the Listing Rules;
- (d) inclusion in the circular to shareholders in relation to the Resumption Proposal a pro forma balance sheet upon completion of fund raising exercise and a comfort letter from the auditors of the Company under Rule 4.29 of the Listing Rules;

- (e) completion of a follow-up review by an independent professional party on the internal control system to demonstrate that the Company and its subsidiaries have an adequate and effective internal control system;
- (f) appointment of a compliance adviser, acceptable to the Division, under Rule 3A.20 of the Listing Rules. In addition to Rules 3A.21 to 3A.24, the mandate should address concerns on timely financial reporting. The appointment shall end no earlier than the date on which the Company with Rule 13.46 of the Listing Rules for the first full financial year after trading resumption;
- (g) each of the existing directors as at the date of the Reply to attend 24 hours training on Listing Rules compliance and corporate governance matters on courses given by a recognised professional organization satisfactory to the Stock Exchange; and
- (h) the Company should comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation.

The Stock Exchange also indicated they may modify the resumption conditions if there are new developments.

The Company is preparing to implement the Resumption Proposal and to comply with the conditions requested by the Stock Exchange in the Reply in order to proceed to the resumption of the trading of the shares of the Company on the Stock Exchange.

Meanwhile, the Company's controlling shareholder has agreed to provide financial support as is necessary to enable the Group and the Company to meet its liabilities as they fall due. A cash flow forecast prepared by the Group's management for the eighteen months ending 31 December 2011 indicates that the Group will be able to generate adequate cash flow for its operation. Furthermore, subsequent to the end of the reporting period, the Company has settled the debt of HK\$2.6 million, which was due to a director of the Company, Mr. Ke Jun Xiang ("Mr. Ke") in relation to a winding-up petition being served on the Company on 22 June 2010 by Wealth Full Limited, a creditor of Mr. Ke.

The ability to obtain new working capital from the investor is dependent on the successful debts restructuring with respective creditors, the trading status of the Company's shares on the Stock Exchange being successfully resumed and the successful in entering into subscription agreement with potential investors.

Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 30 June 2010 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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA that are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Amendments to HKFRS 2, HKAS 38 and HK(IFRIC) – INT 9 & 16, as part of Improvements to HKFRSs issued in 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Item
HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – INT 17	Distribution of Non-cash Assets to Owners
HK(IFRIC) – INT 18	Transfer of Assets from Customers

The adoption of the new and revised HKFRSs, except for HKAS 1 (Revised), HKAS 27 (Revised) and HKFRS 8 as described below, had no material effect on the financial statements of the Company for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKAS 1 (Revised) has introduced changes in the presentation and disclosures of financial statements (including changes in the titles of the financial statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will only include details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard has introduced the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present comprehensive income in one single statement. Comparative information has been re-presented to conform to the new presentation. The revised standard has no impact on the financial position or results of operations of the Group.

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. In addition, non-controlling interests must be presented in the consolidated statement of financial position within equity, separately from the equity to owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity and no transactions with non-controlling interest. The Group has not restated any profit or loss attribution for reporting periods prior to 1 July 2009 in accordance with the transitional provision set out in HKAS 27 (Revised). Specifically, the adoption of HKAS 27 (Revised) has resulted in increase in total comprehensive income attributable to minority interest, decrease in total comprehensive income attributable to owners of the Company and increase in accumulated losses attributable to owners of the Company, amounting to HK\$1,451,000 for the year, and increase in loss per share of 0.02 cents for the year.

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 & 8, and HKAS 1, 7, 17, 18, 36 & 39 as part of Improvements to HKFRSs 2009 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ²
HKAS 24 (Revised)	Related Party Disclosures ²
HKAS 32 (Amendment)	Classification of Rights Issues ³
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters ¹
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 2 (Amendments)	Group cash-settled Share-based Payment Transactions ¹
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – INT 14 (Amendment)	Prepayment of a Minimum Funding Requirement ²
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instrument ⁴

- ¹ Effective for annual periods beginning on or after 1 January 2010.
- ² Effective for annual periods beginning on or after 1 January 2011.
- ³ Effective for annual periods beginning on or after 1 February 2010.
- ⁴ Effective for annual periods beginning on or after 1 July 2010.
- ⁵ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Company’s financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Company.

4. TURNOVER AND SEGMENT INFORMATION

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

Segment information reported internally was analysed on the basis of the type of products sold and activities carried out by the Group’s operating division. The Group is currently operating in one operating segment, which is the distribution of server storage, multi-media and communication products. The information reported to the Group’s chief operating decision maker (i.e. Executive Directors) for the purposes of resource allocation and assessment of performance is focused on this operating segment. Accordingly, no segment information is presented.

Other segment information

The Group’s capital expenditures are located in the People’s Republic of China, including Hong Kong (“PRC”).

Geographical information

The Group’s turnover was derived from Hong Kong, of which the customers are located in Hong Kong and other parts of PRC. All the non-current assets of the Group are located in PRC.

Information about major customers

Revenue from a related company, AVT International Limited, of the corresponding year contributing 8% (2009: 5%) of the total revenue of the Group is as follows:

	2010	2009
	<i>HK\$’000</i>	<i>HK\$’000</i>
AVT International Limited	<u><u>17,886</u></u>	<u><u>5,363</u></u>

Revenue from single external customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Customer A	51,652	30,295
Customer B	49,830	19,615
Customer C	39,348	14,170
	<u>140,830</u>	<u>64,080</u>

5. OTHER INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest income	48	157
Commission income	2,648	1,557
Gain on exchange difference	–	1
Others	4	–
	<u>2,700</u>	<u>1,715</u>

6. WRITTEN-BACK OF LOAN, INTEREST AND OTHER PAYABLES

The Company issued an interest bearing promissory note amounted to HK\$6,000,000 (“Promissory Note”) to a company incorporated in British Virgin Islands (the “Creditor”) in 1998. No legal proceedings had been instituted by the Creditor against the Company for the repayment of the moneys under the Promissory Note. In addition, the Creditor has been dissolved in November 2009. In the opinion of the legal counsel of the Company, the Creditor was time barred from taking any legal proceedings against the Company for recovery of the said sum of HK\$6,000,000 and interest thereon under the Promissory Note.

The directors of the Company were of the view that the obligation under the promissory note expired. Therefore, the loan payable of HK\$6,000,000 and the interest thereon of HK\$8,553,000 were written back in the financial statements for the year ended 30 June 2009.

Included in the written-back of loan, interest and other payables for the year ended 30 June 2010 is an amount of HK\$4,819,000 in relation to a Deed of Settlement (the “Deed”) entered into with a company incorporated in Hong Kong (the “Another Creditor”) on 23 August 2010, under which the Another Creditor agreed to receive a total sum of HK\$1,200,000 for the full and final settlement of the original debt of HK\$6,019,000. Subsequent to the end of the reporting period, the amount has been fully settled.

7. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interests on:		
Bank loans, bills and overdrafts wholly repayable within five years	284	294
Other borrowing costs	5,241	1,969
	<u>5,525</u>	<u>2,263</u>

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Salaries, bonus and other benefits	4,186	4,230
Retirement benefits scheme contributions	75	73
	<u>4,261</u>	<u>4,303</u>
Total staff costs including directors' emoluments		
	<u>4,261</u>	<u>4,303</u>
Cost of goods sold and services provided	209,379	103,516
Depreciation	332	347
Loss on disposal of property, plant and equipment	5	–
Operating lease rentals in respect of land and buildings	677	738
Auditors' remuneration	650	605
Net foreign exchange loss	309	44
	<u>216,087</u>	<u>113,563</u>

9. 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 year (2009: Nil).

10. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The net loss attributable to owners of the Company includes a loss of approximately HK\$2,960,000 (2009: profit of HK\$2,701,000) which has been dealt with in the financial statements of the Company for the year ended 30 June 2010.

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2010 is based on the loss attributable to owners of the Company approximately HK\$274,000 (2009: profit of HK\$3,635,000) and 6,174,917,000 (2009: 6,174,917,000) ordinary shares in issue during the year.

Diluted (loss)/earnings per share was not presented as there was no dilutive potential ordinary share in issue for the years ended 30 June 2010 and 2009.

12. DIVIDENDS

No dividend was paid or proposed for the year ended 30 June 2010 (2009: nil), nor has any dividend been proposed since the end of the reporting period.

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

The following is an aged analysis of trade receivables, based on invoice date, at the end of the reporting period:

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	27,883	13,413
91 – 180 days	3	1,506
181 days – 365 days	–	–
Over 1 year	2,971	2,971
	<hr/>	<hr/>
	30,857	17,890
Less: Allowances for doubtful debts	(2,971)	(2,971)
	<hr/>	<hr/>
	27,886	14,919
	<hr/> <hr/>	<hr/> <hr/>

There is no movement in the allowance for doubtful debts during the year ended 30 June 2010 and 2009.

Most of the trade receivables are neither past due nor impaired and have good repayment history in prior years. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$4,846,000 (2009: HK\$3,703,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

An aged analysis of trade receivables which are past due but not impaired, based on past due date, is as follows:

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 1 month past due	4,680	2,287
1 to 3 months past due	166	1,416
	<u>4,846</u>	<u>3,703</u>

The trade receivables that were past due but not impaired related to customers that have good track records with the Group. 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. A substantial amount of which has been received after the end of the reporting period.

At 30 June 2010, trade receivables with an aggregate carrying amount of HK\$23,227,000 (2009: HK\$10,166,000) have been charged to secure the general banking facilities of the Group.

14. TRADE AND BILLS PAYABLES

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	10,435	10,875
Bills payable, secured	2,931	10,027
	<u>13,366</u>	<u>20,902</u>

All of the trade payables are expected to be settled within one year. An aging analysis is as follows:

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	10,206	10,785
91 – 180 days	32	52
Over 180 days	197	38
	<u>10,435</u>	<u>10,875</u>

15. LITIGATIONS

- (a) China Gold Finance Limited claims against CIL Holdings Limited for outstanding loan in the total sum of HK\$69,300,000 on 27 June 2001 (whereas HK\$40,000,000 being the alleged principal loan and HK\$29,300,000 being alleged outstanding interest up to 27 June 2001) plus interest and legal cost.

The amount of HK\$69,300,000 had been provided for in the financial statements in prior years.

In the opinion of legal counsel, it is premature to predict the outcome of the claim against the Company by China Gold Finance Limited. The Board is of the opinion that the outflow of economic benefits cannot be reliably estimated and accordingly no interest and legal cost are provided in the consolidated financial statements since 27 June 2001.

- (b) Hom Fu Lee Company Limited (“Hom Fu”) claimed against Pilot Apex Development Limited, a subsidiary of the Company for outstanding rent, rates and management fee.

On 31 July 2007, Interlocutory Judgment and Order was granted in Hom Fu’s favour. The Group should pay Hom Fu the outstanding rent, rates, management fee and the interest on the amount of outstanding rent at the rate of 3% above the HSBC’s best lending rate for the period from 1 January 2007 to the date of payment. The Group had settled part of the judgment sum and the balance had been provided for in the financial statements.

As the result of the Group’s breach of the provision of the tenancy agreement, Hom Fu would have suffered the loss and damages upon recovery of possession of the premises from the Group. Such loss and damages are still liable to be paid by the Group to Hom Fu upon the amount being assessed and/or quantified. No provision has been made in this regard.

- (c) The Company claims against Kwok Han Qiao (formerly known as Kwok Wai Tak Edward) in 2001 for an account from Kwok Han Qiao of principal total sum of HK\$98,000,000 and the profit deprived therefrom and payment of such sums so found to the Company plus interest and legal costs.

Full provision for impairment had been provided in the financial statement in prior year.

- (d) On 22 June 2010, a winding-up order was served on the Company by Wealth Full Limited to repay the amount due to a director, Mr. Ke, which amounts to HK\$2,600,000.

Full amount has been provided in the financial statement in prior years. Subsequent to the end of the reporting period, the amount has been fully settled and the winding-up petition has been withdrawn.

16. COMPARATIVE FIGURES

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following paragraphs are extracted from the independent auditor's report:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion we draw your attention to Note 2 to the financial statements concerning the adoption of going concern basis on which the financial statements have been prepared. As further explained in the notes, the financial statements of the Group have been prepared on a going concern basis, notwithstanding that the Group reported consolidated net current liabilities and consolidated net liabilities of HK\$109,447,000 and HK\$109,131,000 respectively, and the Company reported net current liabilities and net liabilities of HK\$103,127,000 and HK\$103,107,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the continual financial support from the controlling shareholder in order to finance the Group's future working capital and financial requirements, the successful implementation of a resumption proposal put forward by the Company to the Stock Exchange of Hong Kong Limited, and the Group's ability to obtain new working capital from prospective investors and to generate adequate cash flows for its operation in the foreseeable future. The consolidated financial statements do not include any adjustment that would result from a failure to obtain such financial support and working capital. We consider that adequate disclosures have been made.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

The Group recorded a consolidated turnover of HK\$219,757,000, an increase of 97.9% over last year. Loss attributed to owners of the Company was HK\$274,000 as compared to profit of HK\$3,635,000 of last year, representing loss per share of HK0.004 cents (2009: earnings per share of HK0.060 cents). Improving the financial condition of the Group continues to be the primary ongoing target of the management.

Business review and outlook

During the year, 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 business 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 30 June 2010, the Group had net liabilities of HK\$109,131,000 comprising total assets of HK\$71,023,000 and total liabilities of HK\$180,154,000. The current ratio, representing by current assets divided by current liabilities, was 0.39. Total bank deposits and cash at the end of the reporting period was HK\$25,937,000.

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.

Pledge of assets

As at 30 June 2010, the Group's fixed deposits and trade receivables of HK\$1,312,000 and HK\$23,227,000 respectively were pledged to bank to secure banking facilities granted to the Group (2009: HK\$1,693,000 and HK\$10,166,000 respectively).

Foreign currency exposure

All sales and purchases are denominated in United States Dollars ("USD"). The foreign currency exposure to USD is minimal on the ground that Hong Kong Dollars ("HKD") is pegged to USD. The Group exposes to foreign currency risk that are denominated in Chinese Renminbi ("RMB") and Australian Dollars ("AUD"). The Group currently does not have hedging policy against RMB and AUD. However, management monitors the Group's foreign currency exposure and will consider hedging significant foreign exchange rate exposure should the need arise.

Material acquisitions and disposals of investments

During the year ended 30 June 2010, there were no material acquisitions and disposals of subsidiaries or affiliated companies.

Employees and remuneration policy

The Group employed a staff of 30 persons as at 30 June 2010 (2009: 30). They were remunerated according to the prevailing manpower conditions and individual performance. There was no change on the staff policy during the year.

Contingent liabilities

The Group had a number of pending litigations as at 30 June 2010. In the opinion of legal counsel, it is premature to predict the claims against the Company. The Board is of the opinion that the outflow of economic benefits cannot be measured with sufficient reliability. Details of litigations are disclosed in note 15 to the financial statements of this announcement. Saved as disclosed above, the Group and the Company did not have any material contingent liabilities as at 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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 throughout the financial year, 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. Rule 3.10 of the Listing Rules also requires the board of the Company must include at least three independent non-executive directors. The Company has only one independent non-executive director serving in the board since May 2008 and both requirements have not complied until 19 April 2010 when two new independent non-executive directors were appointed.
- (c) Under Code provision A.4.1, the non-executive directors should be appointed for a specific term and are 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 in the near future as the Company has appointed enough number of independent non-executive directors recently.

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 year ended 30 June 2010.

REVIEW OF RESULTS BY AUDIT COMMITTEE AND AUDITORS

The Audit Committee, currently comprises all three independent non-executive directors of the Company, 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 Group's draft consolidated financial statements for the year ended 30 June 2010.

The figures in respect of this preliminary announcement of the Group's results for the year 30 June 2010 have been agreed by the Group's auditors, Graham H.Y. Chan & Co., to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Graham H.Y. Chan & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Graham H.Y. Chan & Co. on this preliminary announcement.

SUSPENSION OF TRADING

Dealing in the shares of the Company has been suspended since 1 April 2004. If the Company fails to take adequate action to meet the conditions for resumption as required by the Stock Exchange within six months from 16 April 2010 and obtain a restoration of listing, the Stock Exchange may cancel the listing of the Company.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 30 June 2010 will be dispatched to the shareholders and published on the website of the Stock Exchange in due course.

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

Hong Kong, 2 September 2010

As at the date of this announcement, the executive directors are Mr. Ke Jun Xiang (Chairman), Mr. Ho Pui Tsun, Peter (Deputy Chairman), Ms. Lo Yuen Lai (Deputy Chairman), Mr. Shao Wei Hong, Mr. Hu Yeshan and Mr. Simon Ng. The non-executive directors are Mr. Li Qinyi, and Mr. Chow Yeung Tuen, Richard, and the independent non-executive directors are Mr. Kwok Yam Sheung, Mr. Chan Man Wai, Joman and Mr. Chan Siu Kay, Andy.

* For identification purpose only