



**CIL HOLDINGS LIMITED**

**華建控股有限公司**

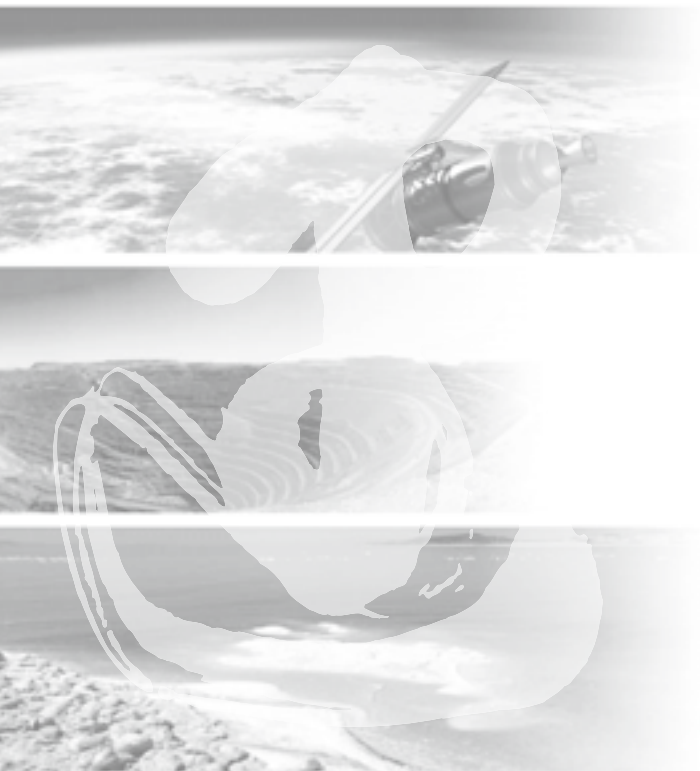
(Incorporated in Bermuda with limited liability)

Stock code : 479

**2011/12**  
INTERIM REPORT

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## **CORPORATE INFORMATION**

### **DIRECTORS**

Mr. Ke Jun Xiang (*Chairman*)  
Ms. Lo Yuen Lai  
*(Deputy Chairman and Acting Chief  
Executive Officer)*  
Mr. Simon Ng  
Ms. Lo Yuen Chung  
Mr. Chow Yeung Tuen, Richard\*  
Mr. Kwok Yam Sheung\*\*  
Mr. Chan Siu Kay\*\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

### **COMPANY SECRETARY**

Mr. Chiu King Hoi, Anthony

### **PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Industrial Bank Co. Ltd.

### **AUDITORS**

Graham H. Y. Chan & Co.  
*Certified Public Accountants (Practising)*  
Unit 1, 15/F, The Center  
99 Queen's Road Central, Hong Kong

### **COMPLIANCE ADVISOR**

Kingsway Capital Limited  
5th Floor, Hutchison House  
10 Harcourt Road  
Central, Hong Kong

### **SHARE REGISTERS**

#### **Bermuda**

The Bank of Bermuda Limited  
6 Front Street  
Hamilton HM11  
Bermuda

#### **Hong Kong**

Tricor Tengis Limited  
26/F Tesbury Centre  
28 Queen's Road East  
Wanchai, 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

### **COMPANY WEBSITE**

[www.cil479.com.hk](http://www.cil479.com.hk)

The board of directors (the “Board”) of CIL Holdings Limited (the “Company”) hereby presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (herein collectively referred to as the “Group”) for the six months ended 31 December 2011 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

		<b>For the six months ended 31 December 2011</b>	2010
		<b>(unaudited)</b>	(unaudited)
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>	2	<b>139,422</b>	123,189
<b>Cost of sales</b>		<b>(135,286)</b>	(119,633)
<b>Gross profit</b>		<b>4,136</b>	3,556
Other income	3	<b>2,526</b>	2,787
Administrative expenses		<b>(16,355)</b>	(5,476)
Finance costs	4	<b>(242)</b>	(5,466)
<b>Loss before taxation</b>	5	<b>(9,935)</b>	(4,599)
<b>Taxation</b>	6	-	-
<b>Loss for the period</b>		<b>(9,935)</b>	(4,599)
<b>Total comprehensive loss for the period</b>		<b>(9,935)</b>	(4,599)
<b>Attributable to:</b>			
– Owners of the Company		<b>(10,045)</b>	(4,795)
– Non-controlling interest		<b>110</b>	196
		<b>(9,935)</b>	(4,599)
<b>Loss per share for loss attributable to owners of the Company</b>	7		
– Basic		<b>(0.96) cents</b>	(1.56) cents
– Diluted		<b>(0.96) cents</b>	N/A

Details of interim dividend payable to owners of the Company are set out in note 8.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2011

		<b>As at</b>	
	<b>31 December</b>		30 June
	<b>2011</b>		2011
	<b>(unaudited)</b>		(audited)
Note	<b>HK\$'000</b>		HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	<b>1,063</b>		1,215
Available-for-sale investment	<b>-</b>		-
Deferred tax assets	<b>591</b>		591
	<b>1,654</b>		1,806
<b>Current assets</b>			
Inventories	<b>19,616</b>		30,182
Trade and bills receivables	<b>49,165</b>	9	42,337
Prepayments, deposits and other receivables	<b>1,866</b>		1,739
Fixed deposits	<b>46,496</b>		40,289
Bank balances and cash	<b>8,181</b>		33,135
	<b>125,324</b>		147,682
<b>Current liabilities</b>			
Trade and bills payables	<b>21,754</b>	10	21,088
Accruals, deposits received and other payables	<b>61,565</b>		61,918
Interest-bearing borrowings	<b>30,313</b>		38,893
Due to related parties	<b>46</b>	11	10,664
	<b>113,678</b>		132,563
<b>Net current assets</b>	<b>11,646</b>		15,119
<b>Net assets</b>	<b>13,300</b>		16,925
<b>Capital and reserves</b>			
Issued capital	<b>10,492</b>	12	10,492
Reserves	<b>360</b>		4,095
<b>Equity attributable to owners of the Company</b>			
	<b>10,852</b>		14,587
Non-controlling interest	<b>2,448</b>		2,338
<b>Total equity</b>	<b>13,300</b>		16,925

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2011

	Attributable to owners of the Company					Non-controlling interest	Total	
	Issued capital	Share premium	Capital reserve	Share-based payment reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2010 (audited)	61,749	293,907	(100)	-	(466,138)	(110,582)	1,451	(109,131)
Total comprehensive (loss)/ income for the period	-	-	-	-	(4,795)	(4,795)	196	(4,599)
At 31 December 2010 (unaudited)	61,749	293,907	(100)	-	(470,933)	(115,377)	1,647	(113,730)
<b>At 1 July 2011 (audited)</b>	10,492	119,339	(100)	-	(115,144)	14,587	2,338	16,925
<b>Total comprehensive (loss)/ income for the period</b>	-	-	-	-	(10,045)	(10,045)	110	(9,935)
<b>Transactions with owners</b>								
Share-based payments	-	-	-	6,310	-	6,310	-	6,310
<b>At 31 December 2011 (unaudited)</b>	10,492	119,339	(100)	6,310	(125,189)	10,852	2,448	13,300

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 31 December 2011*

	<b>For the six months ended 31 December</b>	
	<b>2011</b>	2010
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(10,291)</b>	(9,763)
Net cash from investing activities	<b>55</b>	725
Net cash (used in)/from financing activities	<b>(8,580)</b>	11,796
Net (decrease)/increase in cash and cash equivalents	<b>(18,816)</b>	2,758
Cash and cash equivalents at 1 July	<b>53,412</b>	24,623
Cash and cash equivalents at 31 December	<b>34,596</b>	27,381
<b>Represented by:</b>		
Bank balances and cash	<b>8,181</b>	27,381
Fixed deposits - unpledged	<b>26,415</b>	-
	<b>34,596</b>	27,381

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2011

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2011 have been prepared in accordance with Hong Kong 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 have been approved for issue by the Board on 29 February 2012.

The Interim Financial Statements have been prepared under the historical cost convention and the accounting policies and basis of preparation adopted therein are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2011 except for adoption of all new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards and interpretations) in the current period for the first time. The adoption of the following new and revised HKFRSs has had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

HKFRSs (Amendments)	Amendments to HKFRS 1 & 7, HKAS 1 & 34, and HK(IFRIC) – Int 13 as part of Improvements to HKFRSs issued in 2010
HKAS 24 (Revised in 2009)	Related Party Disclosures
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HK (IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement

The Group has not early adopted the following new or revised HKFRSs that have been issued but are not yet effective. The Group has carried out an assessment of these new or revised HKFRSs and considered that the application of these new or revised HKFRSs will not result in substantial effect on the results and financial positions of the Group.



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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>1</sup>
HKAS 19 (Revised in 2011)	Employee Benefits <sup>3</sup>
HKAS 27 (Revised in 2011)	Separate Financial Statements <sup>3</sup>
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures <sup>3</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>5</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>3</sup>
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2015

**2. TURNOVER AND SEGMENT INFORMATION**

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

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 ("PRC"), including Hong Kong.

## 2. TURNOVER AND SEGMENT INFORMATION (Continued)

### Geographical Information

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

### Information about major customers

Revenue from a related company, AVT International Limited, for the six months ended 31 December 2011 contributing 6% (six months ended 31 December 2010: 5%) of the total revenue of the Group are as follows:

	<b>For the six months ended 31 December</b>	
	<b>2011</b>	2010
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
AVT International Limited ( <i>Note</i> )	<b>8,770</b>	5,916

*Note:* Further information of the related party transactions with AVT International Limited are stated in note 13(b).

A breakdown of revenue from each of the following single external customers for the six months ended 31 December 2011 accounted for more than 10% of the total revenue of the Group is as follows:

	<b>For the six months ended 31 December</b>	
	<b>2011</b>	2010
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Customer A	<b>58,692</b>	37,891
Customer B	<b>16,741</b>	32,351
Customer C	<b>14,754</b>	14,318
	<b>90,187</b>	84,560

**3. OTHER INCOME**

	<b>For the six months ended 31 December</b>	
	<b>2011</b>	2010
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>159</b>	21
Commission income	<b>2,363</b>	2,570
Written-back of other payables	<b>4</b>	196
	<b>2,526</b>	2,787

**4. FINANCE COSTS**

	<b>For the six months ended 31 December</b>	
	<b>2011</b>	2010
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank loans, bills and overdrafts wholly repayable within five years	<b>163</b>	142
Other borrowing costs	<b>79</b>	5,324
	<b>242</b>	5,466

**5. LOSS BEFORE TAXATION**

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

	<b>For the six months ended 31 December</b>	
	<b>2011</b>	2010
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of goods sold and services provided	<b>135,286</b>	119,633
Staff costs including directors' emoluments	<b>5,191</b>	2,664
Share-based payment in relation to the grant of share options	<b>6,310</b>	–
Pension scheme contributions	<b>63</b>	39
Depreciation	<b>187</b>	91
Operating lease rentals in respect of land and buildings	<b>197</b>	357

## 6. TAXATION

No provision for Hong Kong Profits Tax was made as the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward for the period (six months ended 31 December 2010: Nil).

## 7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31 December 2011 is based on the loss attributable to owners of the Company of approximately HK\$10,045,000 (six months ended 31 December 2010: loss of HK\$4,795,000) and on the weighted average number of 1,049,165,846 (six months ended 31 December 2010: 308,745,846 as restated by capital consolidation of every 20 issued shares into 1 reorganised share) shares in issue during the period.

The computation of diluted loss per share for the six months ended 31 December 2011 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares during the period. The loss and the weighted average number of shares used in the calculation of diluted loss per share for the six months ended 31 December 2011 are the same as those for the basic loss per share.

Diluted loss per share was not presented for the six months ended 31 December 2010 as there was no dilutive potential ordinary share in issue for that period.

## 8. INTERIM DIVIDEND

No interim dividend was paid or proposed for the six months ended 31 December 2011 (six months ended 31 December 2010: nil), nor has any dividend been proposed since the end of the reporting period.

## 9. TRADE AND BILLS RECEIVABLES

	<b>As at</b>	
	<b>31 December 2011 (unaudited) HK\$'000</b>	30 June 2011 (audited) HK\$'000
Trade receivables	<b>49,165</b>	41,038
Less: allowance for doubtful debts	-	-
	<b>49,165</b>	41,038
Bills receivables	-	1,299
	<b>49,165</b>	42,337

**9. TRADE AND BILLS RECEIVABLES (Continued)**

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. The balance of the business is on open account terms which is often covered by customers' letters of credit or is factored to external financial institutions without recourse. 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 minimise 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 ageing analysis of trade receivables, based on invoice date, at the end of the reporting period:

	<b>As at</b>	
	<b>31 December</b>	30 June
	<b>2011</b>	2011
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>29,909</b>	24,714
31 – 60 days	<b>13,459</b>	5,505
Over 60 days	<b>5,797</b>	10,819
	<b>49,165</b>	41,038

Most of the trade receivables were neither past due nor impaired and had good repayment history in prior years. Included in the Group's trade receivables balance were debtors with aggregate carrying amount of HK\$2,993,000 (30 June 2011: HK\$7,972,000) which were past due at the end of the reporting period for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances.

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

	<b>As at</b>	
	<b>31 December</b>	30 June
	<b>2011</b>	2011
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Less than 1 month past due	<b>1,064</b>	7,972
1 to 3 months past due	<b>1,929</b>	–
	<b>2,993</b>	7,972

## 9. TRADE AND BILLS RECEIVABLES (Continued)

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

At 31 December 2011, trade receivables with an aggregate carrying amount of HK\$30,985,000 (30 June 2011: HK\$21,901,000) have been charged to secure the general banking facilities of the Group.

## 10. TRADE AND BILLS PAYABLES

	As at	
	<b>31 December 2011 (unaudited) HK\$'000</b>	30 June 2011 (audited) HK\$'000
Trade payables	<b>15,891</b>	21,088
Bills payable, secured	<b>5,863</b>	–
	<b><u>21,754</u></b>	<u>21,088</u>

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

	As at	
	<b>31 December 2011 (unaudited) HK\$'000</b>	30 June 2011 (audited) HK\$'000
0 – 30 days	<b>11,251</b>	13,819
31 – 60 days	<b>4,352</b>	7,041
Over 60 days	<b>288</b>	228
	<b><u>15,891</u></b>	<u>21,088</u>

**11. DUE TO RELATED PARTIES**

	<b>As at</b>	
	<b>31 December 2011 (unaudited) HK\$'000</b>	30 June 2011 (audited) HK\$'000
<b>Related companies</b>		
AVT International Limited (Note i)	<b>46</b>	10,010
Trade Honour Limited (Note ii)	-	654
	<b>46</b>	10,664

Notes:

- i) AVT International Limited is controlled by Mr. Lee Bing Kwong, who is the spouse of Ms. Lo Yuen Lai, a director of the Company and a minority shareholder of AVTE Company Limited, a subsidiary of the Company.
- ii) Trade Honour Limited is controlled by Mr. Ke Jun Xiang, a director of the Company.

The amounts due to related parties are unsecured, interest-free and have no fixed repayment terms.

**12. SHARE CAPITAL**

	<b>As at</b>			
	<b>31 December 2011</b>		30 June 2011	
	<b>No. of shares (unaudited) '000)</b>	<b>HK\$'000</b>	<i>No. of shares (audited) '000)</i>	<i>HK\$'000</i>
Ordinary shares of HK0.01 each				
Authorised:	<b>60,000,000</b>	<b>600,000</b>	60,000,000	600,000
Issued and fully paid:	<b>1,049,166</b>	<b>10,492</b>	1,049,166	10,492

### 13. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the outstanding balances due to related parties as disclosed in note 11 above, Ms. Lo Yuen Lai and Mr. Lee Bing Kwong executed personal guarantees to certain banks to secure general banking facilities granted to the Group.

During the six months ended 31 December 2011, the Group entered into the following material related party and connected transactions:

#### (a) Key management personnel remuneration

The remuneration of the directors and key management during the period was follows:

	For the six months ended 31 December	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Short term employee benefits	3,301	1,557
Post-employment benefits	30	15
Share-based payment	2,634	–
	<u>5,965</u>	<u>1,572</u>

#### (b) Other material related party and connected transactions were as follow:

Related party	Transaction	For the six months ended 31 December	
		2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
AVT International Limited (Note i)	Purchases	16,928	13,580
	Sales	8,770	5,916
Nicegoal Limited (Note ii)	Overdue Interest	–	211
	Rent paid	144	–
Mr. Lee Bing Kwong (Note iii)	Rent paid	–	252
		<u>–</u>	<u>252</u>



### **13. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)**

#### **(b) Other material related party and connected transactions were as follow (Continued)**

*Notes:*

- i) The purchases and sales transactions with AVT International Limited constituted continuing connected transactions under Chapter 14A of the Listing Rules and were carried out at terms determined and agreed with pursuant to a master agreement dated 25 November 2010, which was approved by a special general meeting of the Company held on 12 January 2011.
- ii) The rent paid during the reporting period was pursuant to a new tenancy agreement signed between the Group and Nicegoal Limited while the overdue interest expenses incurred in the corresponding period related to a previous tenancy agreement which had been already expired.
- iii) The rental expenses were based on the tenancy agreement signed between the Group and Mr. Lee Bing Kwong.

### **14. PLEDGE OF ASSETS**

As at 31 December 2011, certain of the Group's trade receivables and fixed deposit with an aggregate carrying amounts of HK\$30,985,000 and HK\$20,081,000 (30 June 2011: HK\$21,901,000 and HK\$20,012,000) respectively were pledged to banks for banking facilities granted to the Group.

### **15. LITIGATIONS AND CONTINGENT LIABILITIES**

The Group had a number of pending litigations as at 31 December 2011:

- (a) China Gold Finance Limited ("China Gold") claims against the Company 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\$69,000,000 had been provided for in the financial statements. During the year ended 30 June 2011, China Gold has revised its claims against the Company to approximately HK\$214,000,000.

Pursuant to the opinion of a legal counsel of the Company in relation to the subject, it is highly probable that China Gold's claims against the Company will be failed and thus no further provision should be made for the additional amount arising from the revised claims.

## 15. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

- (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 statements in prior year.

Saved as disclosed above, the Group and the Company did not have any material contingent liabilities as at 31 December 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial results

The Group's turnover for the six months ended 31 December 2011 was HK\$139,422,000, showing an increase of 13.2% over the corresponding figure of HK\$123,189,000 of last period. There was a growth in gross profit of 16.3% from HK\$3,556,000 of last period to HK\$4,136,000.

As substantial amount of indebtedness had been extinguished by the issue of shares of the Company through debt settlement agreements with a number of creditors in January 2011, finance costs had been reduced significantly afterwards and it was kept at a low level of HK\$242,000 (six months ended 31 December 2010: HK\$5,466,000) during the period. Nevertheless, overall profitability was adversely affected by the surge in administrative expenses amounting to HK\$16,355,000 (six months ended 31 December 2010: HK\$5,476,000), which was mainly ascribed to the rise in staff costs and directors' emoluments from HK\$2,664,000 of last period to HK\$5,191,000 and the issue of share options to the directors of the Company and the employees of the Group during the period. Pursuant to the HKFRS 2 – Share-based Payment issued by the HKICPA, the fair value of the share options issued, which was valued at HK\$6,310,000 (six months ended 31 December 2010: nil), was recorded as an expense to the Company. As a result, total comprehensive loss attributable to owners of the Company rose from HK\$4,795,000 of last period to HK\$10,045,000. Loss per share for the period was HK0.96 cents (six months ended 31 December 2010: loss per share of HK1.56 cents).

### Business review and outlook

Since the publication of the last annual report for the year ended 30 June 2011, there has been no material change in respect of the business and development of the Group. During the six months ended 31 December 2011, the Company's principal activity continued to be investment holding whilst its major subsidiary, AVTE Company Limited, was mainly engaged in providing comprehensive solutions and distribution of server storage, multi-media and communication products by running two principal business divisions, namely server solution division and integrated circuit solution division.

The directors and the management of the Company will continue to focus and devote efforts on implementing the Group's long-term business objectives, including:

1. To maintain constant communication and to foster good relationship with its existing customers and suppliers aiming at developing new lines of business;
2. To engage new customers with a view to strengthening its clientele; and
3. To continue its existing dedication into research and development of new specifications of its products.

In parallel with these plans, the Company will continue to exercise prudent financial management control and to maintain healthy liquidity position.

#### **Liquidity and financial resources**

As at 31 December 2011, the Group had net assets of HK\$13,300,000 (30 June 2011: HK\$16,925,000) comprising total assets of HK\$126,978,000 and total liabilities of HK\$113,678,000 (30 June 2011: HK\$149,488,000 and HK\$132,563,000 respectively). The Group's non-current assets consisted of fixed assets of HK\$1,063,000 and deferred tax assets of HK\$591,000 (30 June 2011: HK\$1,215,000 and HK\$591,000 respectively).

Total bank deposits and cash as at 31 December 2011 amounted to HK\$54,677,000 (30 June 2011: HK\$73,424,000) and were denominated in Hong Kong Dollars ("HKD"), Chinese Renminbi ("RMB") and United States Dollars ("USD").

The current ratio, representing by current assets divided by current liabilities, was 1.10 (30 June 2011: 1.11). As at 31 December 2011, the Group had short-term borrowings of HK\$30,313,000 (30 June 2011: HK\$38,893,000). The loans were denominated in HKD and were subject to interest at prevailing commercial lending rates. The gearing ratio, measuring as the total borrowings over total equity, was 2.28 (30 June 2011: 2.30).

The directors of the Company are of the opinion that, after taking into account the present available financial resources and the current banking and other facilities, the Group is having sufficient working capital for its business for the next twelve months in the absence of unforeseen circumstances.

#### **Foreign currency exposure**

The Group's monetary assets and transactions are principally denominated in HKD, RMB and USD. The management considers the Group's exposure to USD does not give rise to significant foreign currency risk on the ground that HKD is pegged to USD. The Group also exposes to currency risk in RMB and does not have any hedging policy against RMB currently. However, the management monitors the Group's currency exposure closely and will consider hedging the significant foreign exchange rate exposure should the need arise.

#### **Material acquisitions and disposals of investments**

During the six months ended 31 December 2011, there was no material acquisition or disposal of subsidiaries or affiliated companies.

#### **Number of employees and remuneration policy**

The Group employed a staff of 36 persons as at 31 December 2011 (31 December 2010: 36). 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 2011, 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)("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 of Hong Kong Limited ("Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") under the Listing Rules were as follows:

Long position in the shares of the Company

#### Number of ordinary shares held as at 31 December 2011

Name of Director	Note	Personal Interest	Corporate interest	Family		Total	Approximate Percentage of issued share capital
				interest	Other interest		
Mr. Ke Jun Xiang	1	2,000,000	154,200,000	121,640,000	—	277,840,000	26.48%
Ms. Lo Yuen Lai	2	2,559,841	—	317,238,100	—	319,797,941	30.48%
Mr. Simon Ng	3	2,000,000	—	—	—	2,000,000	0.19%
Mr. Chow Yeung Tuen, Richard	3	2,000,000	—	—	—	2,000,000	0.19%
Mr. Kwok Yam Sheung	3	2,000,000	—	—	—	2,000,000	0.19%
Mr. Chan Siu Kay	3	2,000,000	—	—	—	2,000,000	0.19%

#### Notes:

- Mr. Ke Jun Xiang held 2,000,000 underlying ordinary shares of the Company pursuant to share options granted by the Company on 26 July 2011. Mr. Ke also wholly owned Trade Honour Limited and Global Work Management Limited, which held 152,700,000 and 1,500,000 ordinary shares of the Company respectively. His spouse, Ms. Wang Jian Ping, wholly owned State Thrive Limited, Shine Fill Limited and Honest Ventures Limited, which held 57,920,000, 57,920,000 and 5,800,000 ordinary shares of the Company respectively. Accordingly, Mr. Ke was deemed to have total interests in 277,840,000 ordinary shares of the Company.

2. Ms. Lo Yuen Lai personally held 559,841 ordinary shares of the Company and 2,000,000 underlying ordinary shares of the Company pursuant to share options granted by the Company on 26 July 2011. Her spouse, Mr. Lee Bing Kwong, personally held 85,518,100 ordinary shares of the Company and also wholly owned Ample Key Limited and Ever Asset Limited, which respectively held 115,880,000 ordinary shares of the Company and a total effective interest in 115,840,000 ordinary shares of the Company by way of security under share pledges from State Thrive Limited and Shine Fill Limited. Accordingly Ms. Lo was deemed to have total interests in 319,797,941 ordinary shares of the Company.
3. Mr Simon Ng, Mr. Chow Yeung Tuen, Richard, Mr. Kwok Yam Sheung and Mr. Chan Siu Kay each held 2,000,000 underlying ordinary shares of the Company respectively pursuant to share options granted by the Company on 26 July 2011.

As at 31 December 2011 Ms. Lo Yuen Lai also personally held 450,010 ordinary shares of AVTE Company Limited representing 10% equity interest of its total issued share capital.

Save as disclosed above, as at 31 December 2011, none of the directors of the Company 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.

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

Saved as disclosed under the section "Directors' and Chief Executive Interests in Shares" above, at no time during the six months ended 31 December 2011 was the Company or any of 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.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the following persons (other than a director or chief executive of the Company) had an interest of 5% or more 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 shareholder	Note	Number of ordinary shares held as at 31 December 2011				Total	Approximate Percentage of issued share capital
		Personal/beneficial interest	Corporate interest	Family interest	Other interests		
Ms. Wang Jian Ping	1	—	121,640,000	156,200,000	—	277,840,000	26.48%
State Thrive Limited	1	57,920,000	—	—	—	57,920,000	5.52%
Shine Fill Limited	1	57,920,000	—	—	—	57,920,000	5.52%
Trade Honour Limited	1	152,700,000	—	—	—	152,700,000	14.55%
Mr. Lee Bing Kwong	2	85,518,100	231,720,000	2,559,841	—	319,797,941	30.48%
Ample Key Limited	2	115,880,000	—	—	—	115,880,000	11.04%
Ever Asset Limited	2	—	—	—	115,840,000	115,840,000	11.04%
Power Apex Limited	3	—	—	—	152,700,000	152,700,000	14.55%
Pachmar Limited	3	—	152,700,000	—	—	152,700,000	14.55%
Mr. Henry Winata	3	—	152,700,000	—	—	152,700,000	14.55%

#### Notes:

- Ms. Wang Jian Ping wholly owned State Thrive Limited, Shine Fill Limited and Honest Ventures Limited, which held 57,920,000, 57,920,000 and 5,800,000 ordinary shares of the Company respectively. Her spouse, Mr. Ke Jun Xiang held 2,000,000 underlying ordinary shares of the Company pursuant to share options granted by the Company on 26 July 2011 and wholly owned Trade Honour Limited and Global Work Management Limited, which held 152,700,000 and 1,500,000 ordinary shares of the Company respectively. Accordingly, Ms. Wang was deemed to have total interests in 277,840,000 ordinary shares of the Company.



2. Mr. Lee personally held 85,518,100 ordinary shares of the Company and his spouse, Ms. Lo Yuen Lai personally held 559,841 ordinary shares of the Company and 2,000,000 underlying ordinary shares of the Company pursuant to share options granted by the Company on 26 July 2011. Mr. Lee also wholly owned Ample Key Limited and Ever Asset Limited, which respectively held 115,880,000 ordinary shares of the Company and a total effective interest in 115,840,000 ordinary shares of the Company by way of security under share pledges from State Thrive Limited and Shine Fill Limited. Accordingly Mr. Lee was deemed to have total interests in 319,797,941 ordinary shares of the Company.
3. Power Apex Limited had an effective interest in 152,700,000 ordinary shares of the Company by way of security under a share pledge from Trade Honour Limited. Power Apex Limited was wholly owned by Pachmar Limited which was in turn wholly owned by Mr. Henry Winata. Accordingly Pachmar Limited and Mr. Henry Winata were each deemed to have interest in 152,700,000 ordinary shares of the Company.

Saved as disclosed above, so far as known to the directors of the Company as at 31 December 2011, 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.

## **SHARE OPTION SCHEME**

The Company's share option scheme was adopted by the Company on 27 June 2011, pursuant to which the Board may grant options to any employees, directors, shareholders, suppliers, customers of the Group and any other person or company who has contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company at any price which is at least the highest of (i) the closing price of the shares of the Company on the date of the grant of the options; (ii) the average closing price of the shares of the Company on the Stock Exchange for the 5 trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of the shares of the Company.

On 26 July 2011, a total of 26,000,000 share options to subscribe for up to a total of 26,000,000 ordinary shares of the Company under the share option scheme were granted. The closing price of the shares of the Company immediately before the date of grant was HK\$0.52.

Details of the share options outstanding during the six months ended 31 December 2011 are as follows:

Category or name of grantees	Date of grant	Number of share options outstanding as at 1 July 2011	Number of share options granted during the period	Number of share options lapsed during the period	Number of share options outstanding as at 31 December 2011	Exercise price HK\$	Exercise period
<b>Directors</b>							
Ms. Ke Jun Xiang	26 July 2011	—	2,000,000	—	2,000,000	0.52	26 July 2011 to 26 June 2021
Ms. Lo Yuen Lai	26 July 2011	—	2,000,000	—	2,000,000	0.52	26 July 2011 to 26 June 2021
Mr. Simon Ng	26 July 2011	—	2,000,000	—	2,000,000	0.52	26 July 2011 to 26 June 2021
Mr. Chow Yeung Tuen, Richard	26 July 2011	—	2,000,000	—	2,000,000	0.52	26 July 2011 to 26 June 2021
Mr. Kwok Yam Sheung	26 July 2011	—	2,000,000	—	2,000,000	0.52	26 July 2011 to 26 June 2021
Mr. Chan Man Wai, Joman (Note)	26 July 2011	—	2,000,000	—	2,000,000	0.52	26 July 2011 to 26 June 2021
Mr. Chan Siu Kay	26 July 2011	—	2,000,000	—	2,000,000	0.52	26 July 2011 to 26 June 2021
<b>Employees</b>	26 July 2011	—	12,000,000	(2,000,000)	10,000,000	0.52	26 July 2011 to 26 June 2021
		—	26,000,000	(2,000,000)	24,000,000		

Note: Mr. Chan Man Wai, Joman retired but not being re-elected as director of the Company in the annual general meeting on 30 December 2011.

## **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 six months ended 31 December 2011.

## **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**

### **Code on Corporate Governance Practices**

Commencing from 1 July 2005, the Company has adopted and complied with the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Listing Rules, except for Code provision A.3.2 under which the Company should appoint independent non-executive directors representing at least one-third of the Board. Also under rule 3.10 of the Listing Rules, it requires the Board must include at least three independent non-executive directors. Nevertheless, both requirements are temporarily unfulfilled as the Company has only two independent non-executive directors since 30 December 2011 after a former independent non-executive director, Mr. Chan Man Wai, Joman, retired but not being re-elected in the annual general meeting of the Company. In order to fill the vacancy arising from the retirement of Mr. Chan, the Board will nominate a suitable candidate as an independent non-executive director as soon as possible.

### **Model Code for Securities Transactions**

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 of the Company, all of them confirmed that they had complied with the code throughout the six months ended 31 December 2011.

## **REVIEWS BY AUDIT COMMITTEE**

The Audit Committee of the Company, established in compliance with Rule 3.21 of the Listing Rules and currently comprising two independent non-executive directors of the Company, has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2011.

By Order of the Board  
**CIL HOLDINGS LIMITED**  
**Ke Jun Xiang**  
*Chairman*

Hong Kong, 29 February 2012