



**CIL HOLDINGS LIMITED**

**華建控股有限公司**

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock code 股份代號: 479

**2012/13**

*Interim Report* 中期報告



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## **CORPORATE INFORMATION**

### **DIRECTORS**

Mr. Ke Jun Xiang (*Chairman*)

Ms. Lo Yuen Lai

(*Deputy Chairman*)

Ms. Lo Yuen Chung

Mr. Fu Daoding

Mr. Chow Yeung Tuen, Richard\*

Mr. Li Chung Kai, Philip\*

Mr. Kwok Yam Sheung\*\*

Mr. Chan Siu Kay\*\*

Mr. Choi Chin Yu\*\*

\* 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)*

Rooms 3719-26, 37/F

Sun Hung Kai Centre

30 Harbour Road

Wanchai, Hong Kong

### **COMPLIANCE ADVISOR**

Kingsway Capital Limited

7th Floor, Tower One

Lippo Centre

89 Queensway

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**

Unit A2, 4/F, Cheung Kong Factory Building

6 Cheung Yee Street

Lai Chi Kok

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 2012 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

		<b>For the six months ended 31 December 2012</b>	2011
		<b>(unaudited)</b>	(unaudited)
	Note	<b>HK\$'000</b>	HK\$'000 (restated)
<b>Turnover</b>	2	<b>203,741</b>	139,422
<b>Cost of sales</b>		<b>(192,875)</b>	(132,923)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>10,866</b>	6,499
Other income	3	<b>214</b>	163
Share-based payment expenses		<b>(7,925)</b>	(6,310)
Other administrative expenses		<b>(13,296)</b>	(10,045)
Finance costs	4	<b>(470)</b>	(242)
		<hr/>	<hr/>
<b>Loss before taxation</b>	5	<b>(10,611)</b>	(9,935)
<b>Income tax charge</b>	6	-	-
		<hr/>	<hr/>
<b>Loss for the period</b>		<b>(10,611)</b>	(9,935)
		<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive loss for the period</b>		<b>(10,611)</b>	(9,935)
		<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>			
– Owners of the Company		<b>(11,227)</b>	(10,045)
– Non-controlling interest		<b>616</b>	110
		<hr/>	<hr/>
		<b>(10,611)</b>	(9,935)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share for loss attributable to owners of the Company</b>	7		
– Basic		<b>(1.06) cents</b>	(0.96) cents
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		<b>N/A</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

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 2012

		<b>As at</b>	
	<b>31 December</b>		30 June
	<b>2012</b>		2012
	<b>(unaudited)</b>		(audited)
Note	<b>HK\$'000</b>		HK\$'000
<b>Non-current assets</b>			
	Property, plant and equipment	2,175	897
	Available-for-sale investment	-	-
	Deferred tax assets	-	344
9	Deposit for investment	7,000	-
		<u>9,175</u>	<u>1,241</u>
<b>Current assets</b>			
	Inventories	28,476	18,769
10	Trade and bills receivables	55,664	52,696
	Prepayments, deposits and other receivables	2,120	377
	Fixed deposits	20,292	20,208
	Bank balances and cash	28,931	35,128
		<u>135,483</u>	<u>127,178</u>
<b>Current liabilities</b>			
11	Trade payables	7,641	16,742
	Accruals, deposits received and other payables	58,950	58,463
12	Interest-bearing borrowings	47,450	40,839
	Amount due to related company	2,934	1,706
		<u>116,975</u>	<u>117,750</u>
<b>Net current assets</b>		<u>18,508</u>	9,428
<b>Net assets</b>		<u>27,683</u>	<u>10,669</u>
<b>Capital and reserves</b>			
13	Issued capital	10,992	10,492
	Reserves/(deficiency)	13,612	(2,286)
<b>Equity attributable to owners of the Company</b>		<u>24,604</u>	8,206
	Non-controlling interests	3,079	2,463
<b>Total equity</b>		<u>27,683</u>	<u>10,669</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2012

	Attributable to owners of the Company					Total	Non-controlling interests	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	HK\$'000
At 30 June 2011 (audited)	10,492	119,339	(100)	—	(115,144)	14,587	2,338	16,925
Total comprehensive (loss)/ income for the period	—	—	—	—	(10,045)	(10,045)	110	(9,935)
Transaction with owners								
Share-based payment expenses	—	—	—	6,310	—	6,310	—	6,310
At 31 December 2011 (unaudited)	10,492	119,339	(100)	6,310	(125,189)	10,852	2,448	13,300
<b>At 30 June 2012 (audited)</b>	<b>10,492</b>	<b>119,339</b>	<b>(100)</b>	<b>5,759</b>	<b>(127,284)</b>	<b>8,206</b>	<b>2,463</b>	<b>10,669</b>
<b>Total comprehensive (loss)/ income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(11,227)</b>	<b>(11,227)</b>	<b>616</b>	<b>(10,611)</b>
<b>Transaction with owners:</b>								
Issue of placing shares for cash	500	19,500	—	—	—	20,000	—	20,000
Share issue expenses	—	(300)	—	—	—	(300)	—	(300)
Share-based payment expenses	—	—	—	7,925	—	7,925	—	7,925
Forfeiture of share options	—	—	—	(490)	490	—	—	—
<b>At 31 December 2012 (unaudited)</b>	<b>10,992</b>	<b>138,539</b>	<b>(100)</b>	<b>13,194</b>	<b>(138,021)</b>	<b>24,604</b>	<b>3,079</b>	<b>27,683</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 31 December 2012*

	<b>For the six months ended 31 December</b>	
	<b>2012</b>	2011
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(23,848)</b>	(10,291)
Net cash (used in)/from investing activities	<b>(1,660)</b>	55
Net cash from/(used in) financing activities	<b>19,311</b>	(8,580)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(6,197)</b>	(18,816)
Cash and cash equivalents at 1 July	<b>35,128</b>	53,412
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<b>28,931</b>	34,596
	<hr/> <hr/>	<hr/> <hr/>
<b>Represented by:</b>		
Bank balances and cash	<b>28,931</b>	8,181
Fixed deposits – unpledged	–	26,415
	<hr/>	<hr/>
	<b>28,931</b>	34,596
	<hr/> <hr/>	<hr/> <hr/>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 31 December 2012*

### **1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The unaudited condensed consolidated statement of comprehensive income and condensed consolidated statement of financial position (collectively referred to as the "Interim Financial Statements") for the six months ended 31 December 2012 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "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 (the "Listing Rules"). The Interim Financial Statements have been approved for issue by the Board on 28 February 2013.

The Interim Financial Statements have been prepared on the historical cost basis, except for available-for-sale investment and financial assets/liabilities which are stated at fair value.

In the interim results announcement for the six month ended 31 December 2011, the Group presented the commission received from a supplier of the Group as other income in the consolidated statement of comprehensive income. From the last annual report for the year ended 30 June 2012 onwards, the directors of the Company decided to deduct the commission received from the net purchase as it represents a rebate in nature. The change in presentation of commission received would provide more relevant information about the Group's operations. The comparative figures for the six months ended 31 December 2011 have been restated to conform to the revised presentation in this interim report. There is no impact on the results and the financial position of the Group for both periods stated herein.

The accounting policies and basis of preparation adopted in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2012 except for adoption of all new and revised Hong Kong Financial Reporting Standards ("new and revised 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.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets



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

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 position of the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle <sup>1</sup>
HKAS 19 (Revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (Revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities <sup>2</sup>
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>3</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 analyzed 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. the 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 (the "PRC").

## 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 2012 contributing 6.6% (2011: 6%) of the total revenue of the Group is as follows:

	<b>For the six months ended 31 December</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
AVT International Limited	<b>13,348</b>	8,770

The related transactions with AVT International Limited are stated in note 13(b).

Revenue from each of the following single external customers for the six months ended 31 December 2012 accounted for more than 10% of the total revenue of the Group as follows:

	<b>For the six months ended 31 December</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Customer A	<b>60,601</b>	58,692
Customer B	<b>46,279</b>	16,741
Customer C	<b>-</b>	14,754

## 3. OTHER INCOME

	<b>For the six months ended 31 December</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000 (restated)
Interest income	<b>138</b>	159
Written-back of other payables	<b>76</b>	4
	<b>214</b>	163

**4. FINANCE COSTS**

	<b>For the six months ended 31 December</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans, bills and overdrafts wholly repayable within five years	<b>402</b>	163
Other borrowing costs	<b>68</b>	79
	<b>470</b>	242

**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>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
		(restated)
Cost of goods sold and services provided	<b>192,875</b>	132,923
Staff costs including directors' emoluments	<b>6,654</b>	5,191
Share-based payment expenses	<b>7,925</b>	6,310
Pension scheme contributions	<b>112</b>	63
Depreciation	<b>298</b>	187
Operating lease rentals in respect of land and buildings	<b>252</b>	197

**6. INCOME TAX CHARGE**

No provision for Hong Kong Profits Tax was made for both periods of six months ended 31 December 2012 and 31 December 2011 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 periods.

**7. LOSS PER SHARE**

The calculation of basic loss per share is based on the Group's loss attributable to owners of the Company of approximately HK\$11,227,000 (2011: loss of HK\$10,045,000) and on the weighted average number of 1,057,861,498 (2011: 1,049,165,846) shares in issue during the period.

Diluted loss per share for the six months ended 31 December 2012 was not presented as the average stock price of the Company during the period exceeded the exercise price of the share options. Comparative figure of diluted loss per share for the six months ended 31 December 2011 has been restated and was not presented for the same reason.

**8. INTERIM DIVIDEND**

No interim dividend was paid or proposed for the six months ended 31 December 2012 (2011: nil), nor has any dividend been proposed since the end of the reporting period.

**9. DEPOSIT FOR INVESTMENT**

The Company entered into a memorandum of understanding with two parties on 17 December 2012 and expressed its preliminary intention to acquire an equity interest in a copper mining business in the PRC. A deposit of HK\$7,000,000 has been paid for obtaining an exclusive right to negotiate with the vendor and will be refunded to the Company if a formal sales and purchase agreement is not signed on or before 31 December 2013 or the Company shall, at its absolute discretion, decides that the findings of the due diligence review on the intended acquisition are not to its satisfaction.

**10. TRADE AND BILLS RECEIVABLES**

	<b>31 December</b>	<b>As at</b>
	<b>2012</b>	30 June
	<b>HK\$'000</b>	2012
		<i>HK\$'000</i>
Trade receivables	<b>55,664</b>	50,393
Bills receivables	-	2,303
	<hr/>	<hr/>
	<b>55,664</b>	52,696
	<hr/> <hr/>	<hr/> <hr/>

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 post-dated cheques. Certain trade receivables were transferred to a financial institution under a non-recourse factoring agreement. The credit period is generally for a period of up to 105 days (2011: 90 days). The Group seeks to maintain strict control over its outstanding receivables to minimise its 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.

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

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

	<b>31 December</b>	<b>As at</b>
	<b>2012</b>	30 June
	<b>HK\$'000</b>	2012
		<i>HK\$'000</i>
0 – 30 days	<b>26,106</b>	28,765
31 – 60 days	<b>29,231</b>	16,041
Over 60 days	<b>327</b>	5,587
	<hr/> <b>55,664</b> <hr/>	<hr/> 50,393 <hr/>

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\$14,106,000 (30 June 2012: HK\$7,497,000) 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>31 December</b>	<b>As at</b>
	<b>2012</b>	30 June
	<b>HK\$'000</b>	2012
		<i>HK\$'000</i>
Less than 1 month past due	<b>13,760</b>	6,807
1 to 3 months past due	<b>346</b>	633
More than 3 months past due	<b>-</b>	57
	<hr/> <b>14,106</b> <hr/>	<hr/> 7,497 <hr/>

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 2012, trade receivables with an aggregate carrying amount of HK\$33,072,000 (30 June 2012: HK\$20,192,000) had been charged to secure the general banking facilities of the Group.

## 11. TRADE PAYABLES

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

	<b>31 December</b>	<b>As at</b>
	<b>2012</b>	30 June
	<b>HK\$'000</b>	2012
		<i>HK\$'000</i>
0 – 30 days	<b>7,367</b>	9,602
31 – 60 days	<b>-</b>	6,862
Over 60 days	<b>274</b>	278
	<b>7,641</b>	16,742

## 12. AMOUNT DUE TO RELATED COMPANY

	<b>31 December</b>	<b>As at</b>
	<b>2012</b>	30 June
	<b>HK\$'000</b>	2012
		<i>HK\$'000</i>
AVT International Limited	<b>2,934</b>	1,706

AVT International Limited is controlled by Mr. Lee Bing Kwong ("Mr. Lee"), who is the spouse of Ms. Lo Yuen Lai ("Ms. Lo"), a director of the Company. Ms. Lo was also a shareholder holding 10% of the issued share capital of AVTE Company Limited, a subsidiary of the Company, until her disposal of the entire interest in July 2012.

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

**13. SHARE CAPITAL**

	<b>The Company</b>	
	<b>No. of shares</b>	
	('000)	HK\$'000
Ordinary shares of HK0.01 each		
Authorised:		
At 1 July 2011, 30 June 2012, 1 July 2012 and 31 December 2012	60,000,000	600,000
Issued and fully paid:		
At 1 July 2011, 30 June 2012 and 1 July 2012	1,049,166	10,492
Issue of placing shares	50,000	500
At 31 December 2012	1,099,166	10,992

**14. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS**

In addition to the outstanding balances due to related parties as disclosed in note 11 above, as at 31 December 2012, the banking facilities of the Group were secured by personal guarantees executed by Ms. Lo and her spouse Mr. Lee. The personal guarantee provided by Mr. Lee was withdrawn subsequently in February 2013.

During the six months ended 31 December 2012, the Group entered into the following material related party and connected transactions:

- (a) Personnel remuneration of the directors and key management

	<b>For the six months ended 31 December</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>2,757</b>	3,301
Post-employment benefits	<b>89</b>	30
Share-based payment expenses	<b>2,264</b>	2,634
	<b>5,110</b>	5,965

**14. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)**

(b) Other material related party and connected transactions

<b>Related party</b>	<b>Transaction</b>	<b>For the six months ended 31 December</b>	
		<b>2012</b>	2011
		<b>HK\$'000</b>	HK\$'000
AVT International Limited ( <i>note i</i> )	Purchases	<b>49,573</b>	16,928
	Sales	<b>13,348</b>	8,770
Nicegoal Limited ( <i>note ii</i> )	Rent paid	<b>192</b>	144

Notes:

- i) The purchases and sales transactions were carried out at terms determined and agreed with a master agreement dated on 25 November 2010 and a supplemental agreement dated on 10 April 2012, which were approved by special general meetings of the Company held on 12 January 2011 and 10 May 2012, respectively.
- ii) The rental expenses were based on the tenancy agreement signed between the Group and Nicegoal Limited.

**15. PLEDGE OF ASSETS**

As at 31 December 2012, the banking facilities of the Group were secured by (i) the fixed deposit of the Company amounting to approximately HK\$20,292,000 (30 June 2012: HK\$20,208,000); (ii) fixed charge over trade receivables of the Group with an aggregate carrying amount of HK\$33,072,000 (30 June 2012: HK\$20,192,000) and (iii) personal guarantees executed by a director of the Company, Ms. Lo and her spouse Mr. Lee. The personal guarantee provided by Mr. Lee was withdrawn subsequently in February 2013.



## 16. LITIGATIONS AND CONTINGENT LIABILITIES

The Group had a number of pending litigations as at 31 December 2012:

- (a) China Gold Finance Limited ("China Gold") claimed against the Company for an outstanding loan plus an interest of the loan in a 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) and legal cost concerning this claim.

During the year ended 30 June 2012, China Gold further revised the claims against the Company to approximately HK\$227,000,000 (the "Revised Claim").

The Group has made a provision for this litigation of approximately HK\$41,429,000 in previous years, which is included under accruals, deposits received and other payables in the condensed consolidated statement of financial position as at 31 December 2012.

As at 31 December 2012 and up to the date of this interim report, the litigation is still in progress. No final judgement or settlement has been reached. A legal counsel of the Company has stated in his opinion (the "Legal Opinion") that it is highly probable that China Gold's claim against the Company would be failed. Based on the Legal Opinion, the directors of the Company believe that no additional amount arising from the Revised Claim should be provided for in the financial statements.

- (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.

**16. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)**

- (c) The Company claimed against Kwok Han Qiao (formerly known as Kwok Wai Tak Edward) ("Mr. Kwok") in 2001 for an amount due from Mr. Kwok in 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.

During the year ended 30 June 2012, Mr. Kwok has filed a striking out application to the High Court of Hong Kong (the "High Court") for want of prosecution. The High Court accepted the striking out application on 13 September 2012. On 21 September 2012, the Company has filed an appeal against the High Court's decision. Up to the date of this interim report, the legal proceeding is still in progress. No final judgement or settlement has been reached.

Allowance for impairment had been fully provided in the consolidated financial statements in previous years.

**17. EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

On 21 December 2012, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed to place, on a best effort basis, 159,000,000 share warrants under general mandate to independent places at the issue price of HK\$0.0078 per warrant. The placing agreement lapsed on 31 January 2013 as the condition precedent was not fulfilled.

**18. COMPARATIVE AMOUNTS**

Due to the change in presentation of commission received, certain comparative amounts of the previous period have been reclassified and restated to conform to the current period's revised presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial results**

The Group's turnover for the six months ended 31 December 2012 was HK\$203,741,000, showing an increase of 46.1% over the corresponding figure of HK\$139,422,000 of last period. There was also a growth in gross profit of 67.2% from HK\$6,499,000 of last period to HK\$10,866,000.

Though increases in revenue and overall gross profit generated from the ordinary course of business of the Group for the six months ended 31 December 2012 were recorded as compared with the corresponding period in 2011, the overall gross profit margin remained at low level of 5.3% (2011: 4.7%). The gross profit was not able to cover the substantially increased staff and other administrative expenses for the period. The staff expenses included, *inter alia*, the fair value of the share options issued to directors and employees on 21 December 2012 which, pursuant to the HKFRS 2 – Share-based Payment issued by the HKICPA, was recorded as an expense of HK\$7,925,000 (2011: HK\$6,310,000) to the Company in the reporting period.

As a result, total comprehensive loss attributable to owners of the Company rose by 11.8% from HK\$10,045,000 of last period to HK\$11,227,000. Loss per share for the period was HK1.06 cents (2011: loss per share of HK0.96 cents).

### **Business review and outlook**

Since the publication of the last annual report for the year ended 30 June 2012, there has been no material change in respect of the business and development of the Group. During the six months ended 31 December 2012, 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 Group's current strategy and business plan is to put more resources on the more profitable business divisions, through sustaining efforts in research and development of new products and improvement of products on hand, to maintain good and close relationship with distribution agents and valuable customers as well as to strengthen its current sales and marketing teams. In addition, the Group endeavors to foster long-term co-operation with a number of suppliers in order to ensure a steady supply and better quality control for the products and business solutions it delivers. By leveraging on the above strategies and established strengths, experience and foresight, the Group continues to grasp opportunities to meet the needs of markets in the distribution of server storage, multimedia and communication products, to explore new markets and to increase profit margin.

The future development of the Group's business is still expected to confront significant challenges and many uncertainties in the trading environment, such as fluctuation in raw material costs, continuous economic depression in Europe and America and unpredictable inflation. In view of these factors, the Group implements conservative and stringent cost control policies in order to preserve sufficient working capital by imposing control over capital expenditure, enhancing inventory management and strengthening accounts receivable management.

Looking forward, besides continuing to reinforce the product development team, increase the variety of products, boost market promotion and swell distribution network in the PRC and overseas markets, the Group will continue to seek and capture new investment opportunities for expansion and diversify its business and to strengthen our management team for long term growth and development in order to maximise the values of the shareholders. Barring unforeseen circumstances, the business growth of the Group is expected to accelerate and accordingly the positive outcomes will be gradually reflected in the future.

**Liquidity and capital resources**

With a view to strengthening its capital base, the Company entered into a Placing Agreement (the "Agreement") with a Placing Agent (the "Agent") in November 2012. Pursuant to the Agreement, the Agent will place on behalf of the Company a total aggregate of 50,000,000 new shares of the Company at a price of HK\$0.40 each to independent third parties. The placing was successfully completed on 29 November 2012. The net proceeds of approximately HK\$19,700,000, after deducting placing commission and other related expenses, was applied towards general working capital and had produced a positive impact on both the total assets and total equity of the Group during the period under review.

As at 31 December 2012, the Group had net assets of HK\$27,683,000 (30 June 2012: HK\$10,669,000) comprising total assets of HK\$144,658,000 (30 June 2012: HK\$128,419,000) and total liabilities of HK\$116,975,000 (30 June 2012: HK\$117,750,000). The Group's total assets included non-current assets represented by property, plant and equipment of HK\$2,175,000 and deposit for investment of HK\$7,000,000 (30 June 2012: property, plant and equipment of HK\$897,000 and deferred tax assets of HK\$334,000) as well as current assets of HK\$135,483,000 (30 June 2012: 127,178,000).

Net current assets of the Group as at 31 December 2012 was HK\$18,508,000 (30 June 2012: HK\$9,428,000) and the current ratio, representing by current assets divided by current liabilities, was 1.16 (30 June 2012: 1.08).

Total bank deposits and cash as at 31 December 2012 was HK\$49,223,000 (30 June 2012: HK\$55,336,000) and were denominated in Hong Kong Dollars ("HK\$"), Chinese Renminbi ("RMB") and United States Dollars ("US\$").

The Group had total short-term borrowings of comprising bank borrowings and other loans of HK\$47,450,000 as at 31 December 2012 (30 June 2012: HK\$40,839,000). These borrowings were denominated in HK\$ and were subject to interest at prevailing commercial lending rates. The gearing ratio, measuring as the total borrowings over total equity, was 1.71 (30 June 2012: 3.83).

The Directors are of the opinion that, after taking into account of the present available financial resources and the current banking and other facilities, the Group has sufficient funds to finance its operations and to meet the financial obligations of its business when they fall due.

### **Foreign currency exposure**

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

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

For the purpose of diversifying its business and strengthening its asset base, the Company entered into a memorandum of understanding (the "MOU") with two parties on 17 December 2012 in order to express its preliminary intention to acquire an equity interest in a copper mining business in Tibet of the PRC (the "Acquired Interest"). After the execution of the MOU, the Company has paid an earnest money in the amount of HK\$7,000,000 and was granted an exclusive right to negotiate with the vendor for a formal sale and purchase agreement (the "S&P Agreement") in respect of the entire or part of the Acquired Interest during a period commencing from the execution of the MOU to 31 December 2013. The completion of this potential acquisition is subject to the fulfillment of a number of conditions and the earnest money will be refunded to the Company if the S&P Agreement is not signed on or before 31 December 2013 or the Company shall, at its absolute discretion, decides that the findings of the due diligence review on the Acquired Interest are not to its satisfaction. Up to the date of this interim report, the negotiation is still in progress and no final agreement has been reached.

Save as disclosed above, during the six months ended 31 December 2012, no material acquisition or disposal of subsidiaries or affiliated companies was carried out by the Group.

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

The Group had 37 employees as at 31 December 2012 (2011: 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 2012, the interests of the directors and chief executives 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 of Hong Kong Limited (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	Note	Number of underlying shares of the Company	Number of ordinary shares held as at 31 December 2012				Approximate percentage of issued share capital	
			Personal/beneficial Interest	Corporate interest	Family interest	Other interests		
Mr. Ke Jun Xiang	1	12,000,000	—	52,400,000	125,840,000	—	190,240,000	17.31%
Ms. Lo Yuen Lai	2	11,500,000	319,841	—	250,138,100	—	261,957,941	23.83%
Mr. Simon Ng	3	9,000,000	—	—	—	—	9,000,000	0.82%
Ms. Lo Yuen Chung	3	7,000,000	—	—	—	—	7,000,000	0.64%
Mr. Chow Yeung Tuen, Richard	3	7,000,000	200,000	—	—	—	7,200,000	0.66%
Mr. Li Chung Kai, Philip	3	5,000,000	—	—	—	—	5,000,000	0.45%
Mr. Kwok Yam Sheung	3	9,000,000	1	—	—	—	9,000,001	0.82%
Mr. Chan Siu Kay	3	9,000,000	—	—	—	—	9,000,000	0.82%
Mr. Choi Chin Yu	3	3,000,000	—	—	—	—	3,000,000	0.27%

*Notes:*

1. Mr. Ke Jun Xiang held 12,000,000 underlying ordinary shares of the Company pursuant to share options granted by the Company. Mr. Ke also wholly owned Trade Honour Limited and Global Work Management Limited, which held 50,900,000 and 1,500,000 ordinary shares of the Company respectively. His spouse, Ms. Wang Jian Ping, wholly owned State Thrive Limited and Shine Fill Limited, which held 62,920,000 and 62,920,000 ordinary shares of the Company respectively. Accordingly, Mr. Ke was deemed to have total interests in 190,240,000 ordinary shares of the Company.
2. Ms. Lo Yuen Lai personally held 319,841 ordinary shares of the Company and 11,500,000 underlying ordinary shares of the Company pursuant to share options granted by the Company. Her spouse, Mr. Lee Bing Kwong, personally held 8,418,100 ordinary shares of the Company and also wholly owned Ample Key Limited and Ever Asset Limited, which respectively held 115,880,000 and a total effective interest in 125,840,000 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 261,957,941 ordinary shares of the Company.
3. Each of these directors respectively held underlying ordinary shares of the Company pursuant to share options granted by the Company. Mr. Simon Ng retired as a director of the Company at the conclusion of the annual general meeting held on 31 December 2012. Mr. Choi Chin Yu did not pay to subscribe for the 3,000,000 share options granted on 21 December 2012 and such unsubscribed share options were lapsed in January 2013 subsequently.

Ms. Lo Yuen Lai also personally held 450,010 ordinary shares of AVTE Company Limited ("AVTE"), a non-wholly owned subsidiary of the Company, representing 10% equity interest of its total issued share capital. She disposed of this entire interest to a director of AVTE during the six months ended 31 December 2012.

Save as disclosed above, at as 31 December 2012, to the knowledge of the Company, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which the directors or chief executives of the Company were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



**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 2012 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 of the Company 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.

**PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2012, so far as is known to any director or chief executive of the Company, the persons or companies (not being a director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are as follows:

### Long position in the shares of the Company

Name of Shareholder	Note	Number of underlying shares of the Company	Number of ordinary shares held as at 31 December 2012				Approximate percentage of issued Total share capital	
			Personal/beneficial Interest	Corporate interest	Family interest	Other interests		
Mr. Wang Jian Ping	1	12,000,000	—	125,840,000	52,400,000	—	190,240,000	17.31%
State Thrive Limited	1	—	62,920,000	—	—	—	62,920,000	5.72%
Shine Fill Limited	1	—	62,920,000	—	—	—	62,920,000	5.72%
Mr. Lee Bing Kwong	2	11,500,000	8,418,100	241,720,000	319,841	—	261,957,941	23.83%
Ample Key Limited	2	—	115,880,000	—	—	—	115,880,000	10.54%
Ever Asset Limited	2	—	125,840,000	—	—	—	125,840,000	11.45%

#### Notes:

- Ms. Wang Jian Ping wholly owned State Thrive Limited and Shine Fill Limited, which held 62,920,000 and 62,920,000 ordinary shares of the Company respectively. Her spouse, Mr. Ke Jun Xiang held 12,000,000 underlying ordinary shares of the Company pursuant to share options granted by the Company and wholly owned Trade Honour Limited and Global Work Management Limited, which held 50,900,000 and 1,500,000 ordinary shares of the Company respectively. Accordingly, Ms. Wang was deemed to have total interests in 190,240,000 ordinary shares of the Company.
- Mr. Lee Bing Kwong personally held 8,418,100 ordinary shares of the Company and his spouse, Ms. Lo Yuen Lai personally held 319,841 ordinary shares of the Company and 11,500,000 underlying ordinary shares of the Company pursuant to share options granted by the Company. Mr. Lee also wholly owned Ample Key Limited and Ever Asset Limited, which respectively held 115,880,000 and a total effective interest in 125,840,000 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 261,957,941 ordinary shares of the Company.

Saved as disclosed above, as at 31 December 2012, to the knowledge of the Company, no person or company (not being a director or chief executive of the Company) had or was deemed to have any interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any member of the Group.

### **SHARE OPTION SCHEME**

Share options were granted to the directors of the Company and employees of the Group under the Share Option Scheme (the "Scheme") adopted by the Company on 27 June 2011. There was no change in any terms of the Scheme during the six months ended 31 December 2012. Details of the Scheme were disclosed in the 2011/12 annual report.

A total of 83,500,000 share options to subscribe for up to a total of 83,500,000 ordinary shares of HK\$0.01 each of the Company under the Scheme were granted on 21 December 2012. The closing price of the shares of the Company immediately before the date of grant was HK\$0.25.

Details of the share options of the Company granted and outstanding under the Scheme during the period are set out below:

Name or Category of participants	Date of grant	Exercise period	Exercise price	Outstanding	Granted	Forfeiture	Outstanding
				balance at 1 July 2012	during the period	during the period	balance at 31 December 2012
<b>Directors</b>							
Mr. Ke Jun Xiang	26 July 2011	26 July 2011 to 26 June 2021	HK\$0.52	2,000,000	—	—	2,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	10,000,000	—	10,000,000
Ms. Lo Yuen Lai	26 July 2011	26 July 2011 to 26 June 2021	HK\$0.52	2,000,000	—	—	2,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	9,500,000	—	9,500,000
Mr. Simon Ng (note 1)	26 July 2011	26 July 2011 to 26 June 2021	HK\$0.52	2,000,000	—	—	2,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	7,000,000	—	7,000,000
Ms. Lo Yuen Chung	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	7,000,000	—	7,000,000
Mr. Chow Yeung Tuen, Richard	26 July 2011	26 July 2011 to 26 June 2021	HK\$0.52	2,000,000	—	—	2,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	5,000,000	—	5,000,000

Name or Category of participants	Date of grant	Exercise period	Exercise price	Outstanding	Granted	Forfeiture	Outstanding
				balance at 1 July 2012	during the period	during the period	balance at 31 December 2012
Mr. Li Chung Kai, Philip	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	5,000,000	—	5,000,000
Mr. Kwok Yam Sheung	26 July 2011	26 July 2011 to 26 June 2021	HK\$0.52	2,000,000	—	—	2,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	7,000,000	—	7,000,000
Mr. Chan Siu Kay	26 July 2011	26 July 2011 to 26 June 2021	HK\$0.52	2,000,000	—	—	2,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	7,000,000	—	7,000,000
Mr. Choi Chin Yu (note 2)	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	3,000,000	—	3,000,000
<b>Employees</b>							
In aggregate	26 July 2011	26 July 2011 to 26 June 2021	HK\$0.52	10,000,000	—	(2,000,000)	8,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	—	23,000,000	—	23,000,000
				22,000,000	83,500,000	(2,000,000)	103,500,000
				22,000,000	83,500,000	(2,000,000)	103,500,000

*Notes:*

1. Mr. Simon Ng retired as a director of the Company at the conclusion of the annual general meeting held on 31 December 2012.
2. Mr. Choi Chin Yu did not pay to subscribe for the 3,000,000 share options and such unsubscribed share options were lapsed in January 2013 subsequently.

No share option granted under the Scheme was exercised during the six months ended 31 December 2012.

## **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 2012.

## **PRE-EMPTIVE RIGHTS**

There is no provision 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**

The Corporate Governance Code (the "CG Code"), as set out in the current Appendix 14 of the Listing Rules, has become fully effective since 1 April 2012. The Company has applied the principles therein as its own code on corporate governance practices and has consistently made efforts to compile fully with all code provisions of the CG Code during the six months ended 31 December 2012.

Under the Listing Rules, rule 3.10(1) requires the Board must include at least three independent non-executive directors ("INEDs") and rule 3.10A stipulates at least one-third of the Board must be represented by INEDs. Nevertheless, both requirements were temporarily unfulfilled by the Company from the beginning of the reporting period up to 9 August 2012. The deviation has been rectified after a new INED was appointed on that date.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors of the Company. Having made specific enquiry, all of them confirmed that they had complied with the Model Code throughout the six months ended 31 December 2012.

### **REVIEWS OF RESULTS BY AUDIT COMMITTEE**

The Audit Committee of the Company, established in compliance with rule 3.21 of the Listing Rules, currently comprising all three existing INEDs, has reviewed with the management of the Company regarding the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters including a review of the figures in respect of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2012.

By Order of the Board

**CIL HOLDINGS LIMITED**

**Ke Jun Xiang**

*Chairman*

Hong Kong, 28 February 2013



CIL HOLDINGS LIMITED  
華建控股有限公司