



CIL HOLDINGS LIMITED

華建控股有限公司

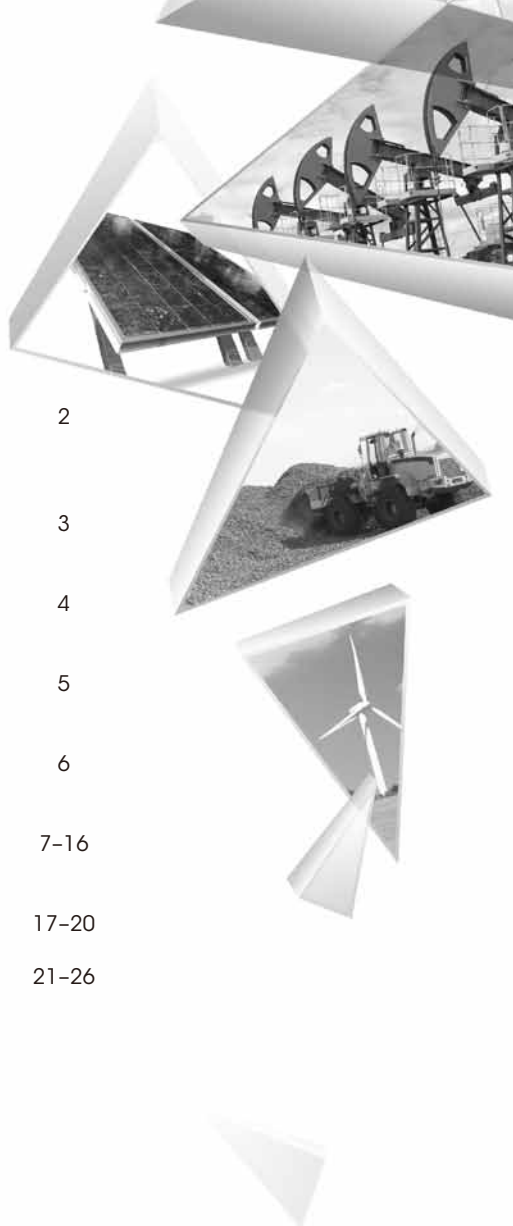
(Incorporated in Bermuda with limited liability)

Stock code : 479

2013/14 Interim Report

CONTENTS

Corporate Information	2
Financial Information	
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	6
Notes to the Condensed Consolidated Financial Statements	7-16
Management Discussion and Analysis	17-20
Supplementary Information	21-26



CORPORATE INFORMATION

DIRECTORS

Mr. Ke Jun Xiang (*Chairman*)
Ms. Lo Yuen Chung
Mr. Fu Daoding
Mr. Rao Guimin
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

CHIEF EXECUTIVE OFFICER

Mr. Lee Tin Yau, Eugene

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

SHARE REGISTERS

Bermuda

Codan Services Limited
Clarendon House
2 Church 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

Workshop 607, 6/F, Sun Cheong Industrial
Building
1 Cheung Shun Street
Kowloon, Hong Kong

STOCK CODE

00479

COMPANY WEBSITE

www.cil479.com.hk

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013

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 2013 as follows:

		For the six months ended 31 December	
		2013	2012
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	209,089	203,741
Cost of sales		(201,605)	(192,875)
Gross profit		7,484	10,866
Other income	3	155	214
Impairment loss recognised in respect of available-for-sales investment		(15,469)	-
Share-based payment expenses		-	(7,925)
Other administrative expenses		(21,600)	(13,296)
Finance costs	4	(778)	(470)
Loss before taxation	5	(30,208)	(10,611)
Income tax expense	6	-	-
Loss for the period		(30,208)	(10,611)
Total comprehensive loss for the period		(30,208)	(10,611)
Attributable to:			
- Owners of the Company		(30,198)	(11,227)
- Non-controlling interest		(10)	616
		(30,208)	(10,611)
Loss per share for loss attributable to owners of the Company			
- Basic	7	(2.20) cents	(1.06) cents
- Diluted		N/A	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 2013

		As at	
	<i>Note</i>	31 December 2013 (unaudited) HK\$'000	30 June 2013 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		4,299	4,008
Available-for-sale investment		2,087	–
		6,386	4,008
Current assets			
Inventories		18,854	24,199
Trade and bills receivables	9	56,964	46,997
Prepayments, deposits and other receivables		42,629	9,979
Pledged fixed deposit		20,472	20,359
Bank balances and cash		30,675	28,969
		169,594	130,503
Current liabilities			
Trade payables	10	11,497	13,932
Accruals, deposits received and other payables		58,625	58,858
Tax payable		917	735
Interest-bearing borrowings		63,828	44,993
		134,867	118,518
Net current assets		34,727	11,985
Total assets less current liabilities		41,113	15,993
Non-current liabilities			
Deferred tax liabilities		157	158
Net assets		40,956	15,835
Capital and reserves			
Issued capital	11	15,692	10,992
Reserves		22,087	1,656
Equity attributable to owners of the Company		37,779	12,648
Non-controlling interests		3,177	3,187
Total equity		40,956	15,835

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	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 2012 and 1 July 2012 (audited)	10,492	119,339	(100)	5,759	(127,284)	8,206	2,463	10,669
Total comprehensive (loss)/income for the period	-	-	-	-	(11,227)	(11,227)	616	(10,611)
Transaction with owners:								
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	-	-	-
At 31 December 2012 (unaudited)	<u>10,992</u>	<u>138,539</u>	<u>(100)</u>	<u>13,194</u>	<u>(138,021)</u>	<u>24,604</u>	<u>3,079</u>	<u>27,683</u>
At 30 June 2013 and 1 July 2013 (audited)	10,992	138,538	(100)	11,954	(148,736)	12,648	3,187	15,835
Total comprehensive loss for the period	-	-	-	-	(30,198)	(30,198)	(10)	(30,208)
Transaction with owners:								
Issue of placing shares for cash	2,600	36,140	-	-	-	38,740	-	38,740
Issue of placing shares for purchase of financial asset	2,100	15,456	-	-	-	17,556	-	17,556
Share issue expenses	-	(967)	-	-	-	(967)	-	(967)
At 31 December 2013 (unaudited)	<u>15,692</u>	<u>189,167</u>	<u>(100)</u>	<u>11,954</u>	<u>(178,934)</u>	<u>37,779</u>	<u>3,177</u>	<u>40,956</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013

	For the six months ended 31 December 2013	2012
	Unaudited HK\$'000	Unaudited HK\$'000
Net cash used in operating activities	(53,852)	(23,848)
Net cash used in investing activities	(1,050)	(1,660)
Net cash from financing activities	56,788	19,311
Net increase/(decrease) in cash and cash equivalents	1,886	(6,197)
Cash and cash equivalents at 1 July	28,789	35,128
Cash and cash equivalents at 31 December	30,675	28,931
Represented by:		
Bank balances and cash	30,675	28,931

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

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 2013 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants 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 2014.

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.

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 2013 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.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

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.

HKFRS 9, HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures ²
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities ¹
HKFRS 9	Financial Instruments ²
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities ¹
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets ¹
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting ¹
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² 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. 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").

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from a related company, AVT International Limited, for the six months ended 31 December 2013 contributing 14.3% (2012: 6.6%) of the total revenue of the Group is as follows:

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
AVT International Limited	29,964	13,348

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 and 31 December 2013 accounted for more than 10% of the total revenue of the Group are as follows:

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Customer A	64,317	60,601
Customer B	41,984	46,279
Customer C	29,964	13,348

3. OTHER INCOME

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Interest income	155	138
Written-back of other payables	-	76
	155	214

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

4. FINANCE COSTS

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Interest on bank loans, bills and overdrafts wholly repayable within five years	527	402
Other borrowing costs	251	68
	778	470

5. LOSS BEFORE TAXATION

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

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Cost of goods sold and services provided	201,605	192,875
Staff costs including directors' emoluments	8,313	6,654
Share-based payment expenses	-	7,925
Pension scheme contributions	220	112
Depreciation	646	298
Operating lease rentals in respect of land and buildings	1,014	252

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax was made for the six months ended 31 December 2012 and 31 December 2013 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\$30,198,000 (2012: loss of HK\$11,227,000) and on the weighted average number of 1,373,568,020 (2012: 1,057,861,498) shares in issue during the period.

Diluted loss per share for the six months ended 31 December 2012 and 31 December 2013 were not presented as the outstanding share options of the Company were anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

8. INTERIM DIVIDEND

No interim dividend was paid or proposed for the six months ended 31 December 2013 (2012: nil), nor has any dividend been proposed since the end of the reporting period.

9. TRADE AND BILLS RECEIVABLES

	As at	
	31 December	30 June
	2013	2013
	HK\$'000	HK\$'000
Trade receivables	56,964	46,440
Bills receivables	-	557
	<u>56,964</u>	<u>46,997</u>

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 (2012: 105 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.

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

	As at	
	31 December	30 June
	2013	2013
	HK\$'000	HK\$'000
0 – 30 days	31,227	27,148
31 – 60 days	24,857	12,501
Over 60 days	880	6,791
	<u>56,964</u>	<u>46,440</u>

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\$16,870,000 (30 June 2013: HK\$5,496,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

9. TRADE AND BILLS RECEIVABLES (Continued)

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

	As at	
	31 December	30 June
	2013	2013
	HK\$'000	HK\$'000
Less than 1 month past due	16,870	3,428
1 to 3 months past due	-	2,067
More than 3 months past due	-	1
	16,870	5,496

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 2013, trade receivables with an aggregate carrying amount of HK\$34,507,000 (30 June 2013: HK\$24,632,000) had been charged to secure the general banking facilities of the Group.

10. TRADE PAYABLES

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

	As at	
	31 December	30 June
	2013	2013
	HK\$'000	HK\$'000
0 – 30 days	7,623	6,337
31 – 60 days	3,612	7,336
Over 60 days	262	259
	11,497	13,932

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

11. SHARE CAPITAL

	The Company	
	No. of shares (<i>'000</i>)	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2012, 30 June 2013, 1 July 2013 and 31 December 2013	60,000,000	600,000
Issued and fully paid:		
At 1 July 2012	1,049,166	10,492
Issue of new shares	50,000	500
At 30 June 2013	1,099,166	10,992
At 1 July 2013	1,099,166	10,992
Issue of new shares	470,000	4,700
At 31 December 2013	1,569,166	15,692

12. PLEDGE OF ASSETS

As at 31 December 2013, the banking facilities of the Group were secured by (i) the fixed deposit of the Company amounting to approximately HK\$20,472,000 (30 June 2013: HK\$20,359,000) and (ii) fixed charge over trade receivables of the Group with an aggregate carrying amount of HK\$34,507,000 (30 June 2013: HK\$24,632,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

13. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group entered into the following material related party and connected transactions during the six months ended 31 December 2013:

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

	For the six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Short term employee benefits	5,044	2,757
Post-employment benefits	204	89
Share-based payment expenses	-	2,264
	5,248	5,110

- (b) Other material related party and connected transactions

Related party	Transaction	For the six months ended 31 December	
		2013	2012
		HK\$'000	HK\$'000
AVT International Limited (note i)	Purchases	40,292	49,573
	Sales	29,964	13,348
Nicegoal Limited (note ii)	Rent paid	34	192

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 two supplemental master agreements dated on 10 April 2012 and 26 April 2013 respectively, which were approved by special general meetings of the Company held on 12 January 2011, 10 May 2012 and 11 July 2013 respectively.
- ii) The rental expenses were based on the tenancy agreement signed between the Group and Nicegoal Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

14. LITIGATIONS AND CONTINGENT LIABILITIES

The Group had a number of pending litigations as at 31 December 2013:

- (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.

The Group has made a provision for this litigation of approximately HK\$41,429,000 in the consolidated financial statements of the Company in previous years and included in the provision for litigation grouped under accruals, deposits received and other payables in the condensed consolidated statement of financial position as at 31 December 2013.

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"). During the six months ended 31 December 2013, China Gold has no further revision on the Revised Claim.

As at 31 December 2013 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

14. 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.

Previously, 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 filed an appeal against the High Court's decision. The Striking Out Application was dismissed by the High Court Judge on 20 November 2012 (the "20 November Judgement") and thereafter, Mr. Kwok filed an appeal against the 20 November Judgement. Hearing was heard on 13 June 2013. As at 31 December 2013 and 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.

15. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 16 December 2013, the Company entered into a bond placing agreement with an agent, pursuant to which the agent agreed to procure placees to subscribe for bonds of the Company in up to 5 tranches, on a best effort basis, in an aggregated principal amount of up to a maximum of HK\$50,000,000 within an agreed period. The placing agreement was terminated by mutual agreement on 4 February 2014.

The Company entered into share placing agreements with an agent on 13 January 2014, pursuant to which the agent would, on a best effort basis, place on behalf of the Company (i) up to 313,820,000 new shares of the Company under a general mandate granted to the directors of the Company at the annual general meeting held on 30 December 2013 at a price of HK\$0.11 each to not less than six independent third parties (the "GM Placing") and (ii) up to 627,660,000 new shares of the Company under a specific mandate to be obtained at a special general meeting of the Company at a price of HK\$0.11 each to not less than six independent third parties (the "SM Placing"). The GM Placing completed on 28 January 2014 and the net proceeds was utilised as general working capital of the Group. The SM placing is still proceeding up to the date of this interim report.

16. COMPARATIVE AMOUNTS

Certain comparative amounts of the previous period have been reclassified and restated to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

There was a slight increase in revenue generated in the Group's ordinary course of business during the six months ended 31 December 2013 as compared with that of last year. Total turnover was approximately HK\$209,089,000, showing a growth of 2.6% over the corresponding figure of approximately HK\$203,741,000 for the six months ended 31 December 2012.

Nevertheless, the overall gross profit margin was squeezed due to sustaining high cost of sales arising from keen market competition which dragged down the consolidated gross profit for the six months ended 31 December 2013 by 31.1% to approximately HK\$7,484,000 as compared to the consolidated gross profit for the six months ended 31 December 2012 of approximately HK\$10,866,000.

Although no share-based payment expense was recorded during the six months ended 31 December 2013 (2012: \$7,925,000), the low gross profit figure was still not able to cover the substantially increased administrative and staff expenses incurred during the period which amounted to a total sum of approximately HK\$21,600,000 (2012: HK\$13,296,000), representing an increase of 62.5% mainly caused by the upward adjustment of staff salaries and the emoluments of the directors of the Company.

In July 2013, the Group acquired approximately 10.13% in the share capital of LZYE Group Plc ("LZYE"), a public limited company incorporated and registered in England and Wales which shares are quoted on the Alternative Investment Market operated by the London Stock Exchange Plc. Since December 2013, the market price of the share of LZYE has been plummeted substantially and it is undergoing substantial restructuring in its business operation. To reflect the current situation of LZYE, the Board decided to make substantial provision of approximately HK\$15,469,000 for diminution in the fair value of investment in LZYE in the Group's interim results for the six month ended 31 December 2013.

As a result, the total comprehensive loss attributable to owners of the Company for the six months ended 31 December 2013 widened by 169% from approximately HK\$11,227,000 of last period to approximately HK\$30,198,000. Basic loss per share for the period was HK2.20 cents (2012: loss of HK1.06 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

Since the publication of the last annual report for the year ended 30 June 2013, there has been no material change in respect of the business and development of the Group. During the six months ended 31 December 2013, the Company's principal activity continued to be investment holding whilst its major subsidiary, AVTE Company Limited, was 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 their efforts on improving the performance of the Group's current business in (i) adopting more effective cost control measures; (ii) developing new product types; (iii) strengthening customer base and (iv) upgrading the specifications of its product by means of on-going research and development.

Meanwhile, the Company is actively exploring other suitable opportunities to diversify its business. In November 2013, the Company entered into an agency agreement with Guangdong Hotor Electrical Appliance Company Limited ("Guangdong Hotor") for securing an exclusive sales agent of Guangdong Hotor in the regions including Southeast Asia, the Middle East, Africa and South America. Guangdong Hotor is a company incorporated in the PRC and is principally engaged in the development, manufacture and sale of rice cooker and household electrical appliances.

Liquidity and capital resources

The Company entered into a placing agreement with an agent in November 2013, pursuant to the which the agent would place on behalf of the Company a total aggregate of 260,000,000 new shares of the Company at a price of HK\$0.149 each to independent third parties under general mandate. The placing was completed on 13 November 2013. The net proceeds of approximately HK\$37,700,000, after deducting placing commission and other related expenses, was applied towards general working capital which helped improve both the cash liquidity and the capital base of the Group during the six months ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2013, the Group had net assets of approximately HK\$40,956,000 (30 June 2013: HK\$15,835,000) comprising total assets of approximately HK\$175,980,000 (30 June 2013: HK\$134,511,000) and total liabilities of approximately HK\$135,024,000 (30 June 2013: HK\$118,676,000). The Group's total assets included non-current assets represented by property, plant and equipment of approximately HK\$4,299,000 and available-for-sale investment of approximately HK\$2,087,000 (30 June 2013: property, plant and equipment of approximately HK\$4,008,000) as well as current assets of approximately HK\$169,594,000 (30 June 2013: HK\$130,503,000).

Net current assets of the Group as at 31 December 2013 was approximately HK\$34,727,000 (30 June 2013: HK\$11,985,000) and the current ratio, representing by current assets divided by current liabilities, was 1.26 (30 June 2013: 1.10).

Total bank deposits and cash as at 31 December 2013 was approximately HK\$51,147,000 (30 June 2013: HK\$49,328,000) and were denominated in Hong Kong Dollars ("HK\$"), Chinese Renminbi ("RMB") and United States Dollars ("US\$").

The Group had total short-term borrowings comprising bank borrowings and other loans of approximately HK\$63,828,000 as at 31 December 2013 (30 June 2013: HK\$44,993,000). 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 1.56 (30 June 2013: 2.84).

The directors of the Company 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In June 2013, the Group entered into a sales and purchase agreement with an independent third party to acquire 25,000,000 ordinary shares of British Pound Sterling ("GBP") 0.01 each, representing approximately 10.13%, in the share capital of LZYE at the consideration of approximately GBP 1,437,500 (equivalent to approximately HK\$17,600,000). The transaction completed on 3 July 2013 and the consideration was satisfied by the allotment and issuance of 210,000,000 new ordinary shares of the Company issued at HK\$0.0836 per new ordinary share.

Save as disclosed above, during the six months ended 31 December 2013, no other material acquisition or disposal of subsidiaries or affiliated companies was carried out by the Group.

Number of employees

The Group had 39 employees as at 31 December 2013 (2012: 37). 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

As at 31 December 2013, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(the "SFO") which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares and underlying shares of the Company

Name of director	Note	Number of underlying shares of the Company	Number of ordinary shares held as at 31 December 2013				Total	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	12.12%
Ms. Lo Yuen Chung	2	7,000,000	-	-	-	-	7,000,000	0.45%
Mr. Chow Yeung Tuen, Richard	2	7,000,000	200,000	-	-	-	7,200,000	0.46%
Mr. Li Chung Kai, Philip	2	5,000,000	-	-	-	-	5,000,000	0.32%
Mr. Kwok Yam Sheung	2	9,000,000	1	-	-	-	9,000,001	0.57%
Mr. Chan Siu Kay	2	9,000,000	-	-	-	-	9,000,000	0.57%

SUPPLEMENTARY INFORMATION

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. Each of these directors respectively held underlying ordinary shares of the Company pursuant to share options granted by the Company.

Save as disclosed herein, as at 31 December 2013, none of the directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken 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 pursuant to the Model Code.

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

Saved as disclosed under the section "Directors' and Chief Executives' Interests" above, at no time during the six months ended 31 December 2013 was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and 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.

SUPPLEMENTARY INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2013, substantial shareholders of the Company and other persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares or 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the shares and underlying shares of the Company

Name of shareholders	Note	Number of ordinary shares held as at 31 December 2012					Total	Approximate percentage of issued share capital
		Number of underlying shares of the Company	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	12.12%
Mr. Lee Bing Kwong	2	-	18,100	231,560,000	19,841	-	231,597,941	14.76%
Ample Key Limited	2	-	105,720,000	-	-	-	105,720,000	6.74%
Ever Asset Limited	2	-	125,840,000	-	-	-	125,840,000	8.04%

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 18,100 ordinary shares of the Company and his spouse, Ms. Lo Yuen Lai personally held 19,841 ordinary shares of the Company. Mr. Lee also wholly owned Ample Key Limited and Ever Asset Limited, which respectively held 105,720,000 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 231,597,941 ordinary shares of the Company.

SUPPLEMENTARY INFORMATION

Save as disclosed above, as at 31 December 2013, the Company was not notified by any persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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, which details were disclosed in the 2013 Annual Report.

During the six months ended 31 December 2013, no share option granted under the Scheme was exercised. Details of the movements of the share options and outstanding under the Scheme as at 31 December 2013 are set out below:

Name or category of participants	Date of grant	Exercise period	Exercise price	Outstanding balance of 1 July 2013	Granted during the period	Forfeiture during the period	Outstanding balance of 31 December 2013
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 (note)	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)	-
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

SUPPLEMENTARY INFORMATION

Name or category of participants	Date of grant	Exercise period	Exercise price	Outstanding balance of 1 July 2013	Granted during the period	Forfeiture during the period	Outstanding balance of 31 December 2013
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
Other employees of the Group	26 July 2011	26 July 2011 to 26 June 2021	HK\$0.52	8,000,000	-	-	8,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	23,000,000	-	-	23,000,000
				91,500,000	-	(11,500,000)	80,000,000

Note: Ms. Lo Yuen Lai retired as a director of the Company on 5 June 2013. As the share options were not exercised within 3 months after the date of her resignation, they were forfeited in accordance with the terms of the Scheme.

PURCHASE, SALE OR 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 2013.

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.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has applied the principles of the Corporate Governance Code (the "CG Code") setting out in Appendix 14 of the Listing Rules therein as its own code on corporate governance practices and had consistently made efforts to comply fully with all code provisions of the CG Code during the six months ended 31 December 2013.

Directors' 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 the directors of the Company confirmed that they had complied with the Model Code throughout the six months ended 31 December 2013.

REVIEWS OF RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management regarding the accounting principles and practices adopted by the Group in respect of the Group's unaudited consolidated interim financial statements for the six months ended 31 December 2013 and has discussed internal controls and financial reporting matters including a review of the figures. The committee was established in compliance with Rule 3.21 of the Listing Rules and the membership currently comprises all three existing INEDs.

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

Hong Kong, 28 February 2014