



CIL HOLDINGS LIMITED

華建控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code : 479

INTERIM REPORT

2014
/15



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CORPORATE INFORMATION

DIRECTORS

Mr. Ke Jun Xiang
(Chairman & Chief Executive Officer)
Mr. Wilson Wong *(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

GENERAL MANAGER

Mr. Lee Tin Yau, Eugene

COMPANY SECRETARY

Mr. Chiu King Hoi

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 REGISTRARS

Bermuda

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong

Tricor Tengis Limited
Level 22, Hopewell Centre
183 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 2014

The board of directors (the "Board") of CIL Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2014 as follows:

		For the six months ended 31 December	
		2014	2013
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Revenue	3	333,363	209,089
Cost of sales		(320,705)	(201,605)
Gross profit		12,658	7,484
Other income	4	1,357	155
Fair value losses on investments at fair value through profit or loss, net		(22,621)	(15,469)
Other administrative expenses		(33,823)	(21,600)
Finance costs	5	(1,156)	(778)
Loss before taxation	6	(43,585)	(30,208)
Income tax expense	7	(594)	–
Loss for the period		(44,179)	(30,208)
Total comprehensive loss for the period		(44,179)	(30,208)
Attributable to:			
– Owners of the Company		(44,480)	(30,198)
– Non-controlling interest		301	(10)
		(44,179)	(30,208)
Loss per share for loss attributable to owners of the Company			
– Basic	8	(1.77) cents	(2.20) cents
– Diluted		N/A	N/A

Details of interim dividend payable to owners of the Company are set out in note 9.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		As at	
		31 December 2014 (unaudited) HK\$'000	30 June 2014 (audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		7,788	8,345
Intangible assets	10	26,792	2,000
Deposits	11	23,607	23,607
Available-for-sale investment		3,249	2,384
		61,436	36,336
Current assets			
Inventories		17,949	23,633
Trade and bills receivables	12	100,491	69,256
Prepayments, deposits and other receivables	11	23,489	14,206
Loans receivable	13	32,896	40,709
Investments at fair value through profit or loss		23,113	40,308
Tax recoverable		253	–
Pledged fixed deposit		20,700	20,591
Bank balances and cash		17,048	21,444
		235,939	230,147
Current liabilities			
Trade payables	14	29,443	16,574
Accruals, deposits received and other payables		81,106	66,818
Tax payable		–	1,311
Interest-bearing borrowings		74,036	65,160
		184,585	149,863
Net current assets		51,354	80,284
Total assets less current liabilities		112,790	116,620

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		As at	
		31 December	30 June
		2014	2014
		(unaudited)	(audited)
<i>Note</i>		HK\$'000	<i>HK\$'000</i>
Non-current liabilities			
		40,349	–
		2,415	2,415
		<hr/> 42,764 <hr/>	<hr/> 2,415 <hr/>
Net assets		70,026	114,205
		<hr/> 70,026 <hr/>	<hr/> 114,205 <hr/>
Capital and reserves			
	15	25,106	25,106
		41,233	85,713
		<hr/> 41,233 <hr/>	<hr/> 85,713 <hr/>
Equity attributable to owners of the Company			
		66,339	110,819
		3,687	3,386
		<hr/> 3,687 <hr/>	<hr/> 3,386 <hr/>
Total equity		70,026	114,205
		<hr/> 70,026 <hr/>	<hr/> 114,205 <hr/>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Attributable to owners of the Company								
	Issued capital	Share premium	Capital reserve	Share-based payment reserve	Available-for-sale investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>-</u>	<u>(178,934)</u>	<u>37,779</u>	<u>3,177</u>	<u>40,956</u>
At 30 June 2014 and 1 July 2014 (audited)	25,106	279,689	(100)	10,468	(16)	(204,328)	110,819	3,386	114,205
Total comprehensive loss for the period	-	-	-	-	-	(44,480)	(44,480)	301	(44,179)
At 31 December 2014 (unaudited)	<u>25,106</u>	<u>279,689</u>	<u>(100)</u>	<u>10,468</u>	<u>(16)</u>	<u>(248,808)</u>	<u>66,339</u>	<u>3,687</u>	<u>70,026</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	For the six months ended 31 December 2014	2013
	Unaudited HK\$'000	Unaudited HK\$'000
Net cash used in operating activities	(21,343)	(53,852)
Net cash used in investing activities	(32,278)	(1,050)
Net cash from financing activities	49,225	56,788
Net increase/(decrease) in cash and cash equivalents	(4,396)	1,886
Cash and cash equivalents at 1 July	21,444	28,789
Cash and cash equivalents at 31 December	17,048	30,675
Represented by:		
Bank balances and cash	17,048	30,675

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activity of the Company is investment holding and the subsidiaries of the Company is principally involving in distribution of server storage, multi-media and communication products, money lending, investments in securities and distribution of rice cooker and household electrical appliances.

2. BASIS OF PREPARATION

The unaudited condensed consolidated statement of comprehensive income and condensed consolidated statement of financial position for the six months ended 31 December 2014 (collectively, the "Interim Financial Statements") are presented in Hong Kong dollars ("HK\$") and have been approved for issue by the Board on 26 February 2015.

The Interim Financial Statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies used 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 2014 except as described below. In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

3. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the amount received and receivable for goods sold during the period and interest income from money lending operations.

An analysis of revenue is as follows:

	For the six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Sales of goods	331,923	209,089
Interest income from money lending operations	1,440	–
	333,363	209,089

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision maker ("CODM"). The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

The Group has mainly been operating in distribution of server storage, multi-media and communication products. During the six months ended 31 December 2014, the Group has diversified its business by operating three additional reportable operating segments, being the money lending segment, investments in securities segment and distribution of rice cooker and household electrical appliances. During the six months ended 31 December 2013, the Group had only one reporting segment. Accordingly, no segment information for the period ended 31 December 2013 was presented.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment revenue represents the revenue generated by each operating segment. Segment results represent the profit earned by each operating segment without allocation of central administration expenses (unallocated corporate expenses), interest income, unallocated finance costs and income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale investment and unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities and unallocated corporate liabilities.

For the six months ended 31 December 2014

	Distribution of server storage, multi-media and communication products HK\$'000	Money lending HK\$'000	Investment in securities HK\$'000	Distribution of rice cooker and household electrical appliances HK\$'000	Consolidated HK\$'000
Segment revenue	331,923	1,440	-	-	<u>333,363</u>
Segment results	3,601	231	(22,721)	(46)	(18,935)
Reconciliations:					
Interest income					112
Unallocated finance costs					(499)
Gains arising from written back of loan and other payables					29
Unallocated corporate expenses					<u>(24,292)</u>
Loss before taxation					<u>(43,585)</u>
Other segment information:					
Finance costs:					
- allocated	(618)	-	(39)	-	(657)
- unallocated					(499)
					<u>(1,156)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

3. REVENUE AND SEGMENT INFORMATION (Continued)**For the six months ended 31 December 2014 (Continued)**

	Distribution of server storage, multi-media and communication products HK\$'000	Money lending HK\$'000	Investment in securities HK\$'000	Distribution of rice cooker and household electrical appliances HK\$'000	Consolidated HK\$'000
Depreciation and amortisation:					
- allocated	(267)	(208)	(1)	-	(476)
- unallocated					(1,167)
					(1,643)
Fair value losses on investments at fair value through profit or loss, net	-	-	(22,621)	-	(22,621)
Capital expenditure:					
- allocated	49	-	-	-	49
- unallocated					829
					878
Segment assets and liabilities					
Segment assets	138,188	7,616	30,528	4,758	181,090
Available-for-sale investment					3,249
Unallocated corporate assets					113,036
Total assets					297,375
Segment liabilities	103,518	1	-	780	104,299
Deferred tax liabilities					2,415
Unallocated liabilities					120,635
Total liabilities					227,349



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

3. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from each of the following single external customers for the six months ended 31 December 2014 and 2013 accounted for more than 10% of the total revenue of the Group are as follows:

	For the six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Customer A	156,481	64,317
Customer B	93,965	41,984
Customer C	34,999	29,964

Sales to customers A, B and C are included in the segment of distribution of server storage, multi-media and communication products.

Geographical information

The Group's operations are located in Hong Kong and other parts of the PRC, and the Southeast Asia. Other than the segment of distribution of rice cooker and household electrical appliances which are carried in the Southeast Asia, other segments are carried in Hong Kong. The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or service. The geographical location of the non-current assets other than financial assets is based on the physical location of the asset, in the case of property, plant and equipment and intangible asset, and the location of the operation to which they are allocated, in the case of deposit paid other than those classified as financial assets. The Group's revenue by geographical location of the customers and information about its non-current assets by geographical location of the assets are set out below:

	Revenue from external customers		Non-current assets (Note)	
	For the six months ended 31 December		As at	
	2014	2013	2014	30 June 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and other parts of the PRC (place of domicile)	332,990	209,089	34,580	10,345
Elsewhere	373	–	20,000	20,000
	333,363	209,089	54,580	30,345

Note: Non-current assets exclude available-for-sale investment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

4. OTHER INCOME

	For the six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Bank interest	112	155
Other	1,245	–
	1,357	155

5. FINANCE COSTS

	For the six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Interest on bank loans, bills and overdrafts wholly repayable within five years	618	527
Other borrowing costs	538	251
	1,156	778

6. LOSS BEFORE TAXATION

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

	For the six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Cost of goods sold and services provided	320,705	201,605
Staff costs including directors' emoluments	10,101	8,313
Pension scheme contributions	275	220
Depreciation and amortisation	1,643	646
Operating lease rentals in respect of land and buildings	2,365	1,014

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at a rate of 16.5% for the six months ended 31 December 2013 and 2014 respectively.

8. 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\$44,480,000 (2013: HK\$30,198,000) and on the 2,510,645,846 (2013: weighted average number of 1,373,568,020) shares in issue during the period under review.

Diluted loss per share for the six months ended 31 December 2014 and 31 December 2013 were not presented as the outstanding share options of the Company were anti-dilutive.

9. INTERIM DIVIDEND

No interim dividend was paid or proposed for the six months ended 31 December 2014 (2013: nil), nor has any dividend been proposed since the end of the reporting period.

10. INTANGIBLE ASSETS

	As at	
	31 December	30 June
	2014	2014
	HK\$'000	HK\$'000
Acquisition of a subsidiary	2,000	2,000
Unamortised licence fees	24,792	–
	26,792	2,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	31 December	30 June
	2014	2014
	HK\$'000	HK\$'000
Rental deposit	875	582
Deposit paid to secure an agency agreement	20,000	20,000
Purchase deposits	3,300	3,300
Deposits paid for acquisition of subsidiaries	5,531	10,640
Others	17,390	3,291
	47,096	37,813
Less: amount classified as current portion	(23,489)	(14,206)
Amount classified as non-current	23,607	23,607

12. TRADE AND BILLS RECEIVABLES

	As at	
	31 December	30 June
	2014	2014
	HK\$'000	HK\$'000
Trade receivables	100,491	69,256

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. 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 97 days (2013: 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

12. 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:

	31 December	As at
	2014	30 June
	HK\$'000	2014
		HK\$'000
0 – 30 days	68,116	35,131
31 – 60 days	30,360	18,362
Over 60 days	2,015	15,763
	100,491	69,256

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\$24,302,000 (30 June 2014: HK\$21,601,000) 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:

	31 December	As at
	2014	30 June
	HK\$'000	2014
		HK\$'000
Less than 1 month past due	3,460	19,393
1 to 3 months past due	19,642	2,208
More than 3 months past due	1,200	–
	24,302	21,601

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 2014, trade receivables with an aggregate carrying amount of HK\$86,815,000 (30 June 2014: HK\$49,225,000) had been charged to secure the general banking facilities of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

13. LOANS RECEIVABLES

	As at	
	31 December	30 June
	2014	2014
	HK\$'000	HK\$'000
Loans receivable	<u>32,896</u>	<u>40,709</u>

Note:

- (a) Pursuant to a cooperation agreement (the "Cooperation Agreement") executed between the Company and shareholders of 廣州市水立坊公共浴室有限公司 ("ShuiLiFang") in June 2014, among other things, the Company agreed to acquire 70% of equity interest in ShuiLiFang with a consideration of RMB2,100,000 (equivalent to approximately HK\$2,609,000, the "ShuiLiFang Deposit") and agreed to make an advance of RMB18,900,000 (equivalent to approximately HK\$23,587,000, the "Loan to ShuiLiFang") to ShuiLiFang. The Loan to ShuiLiFang was classified as loans receivable as at 30 June 2014.

On 26 September 2014, the Company and the shareholders of ShuiLiFang entered into a termination agreement ("ShuiLiFang Termination Agreement") pursuant to which, both parties have agreed to terminate the Cooperation Agreement. As at 31 December 2014, the aggregate amount of the ShuiLiFang Deposit together with the Loan to ShuiLiFang totalling HK\$26,196,000 was classified as loans receivable, which is unsecured and repayable within five years at an interest rate of 25% per annum. For other details, please also refer to the relevant paragraph in the section "Capital and other commitments" under "MANAGEMENT DISCUSSION AND ANALYSIS".

- (b) The Group's loans receivable balances of approximately HK\$6,700,000 as at 31 December 2014 (30 June 2014: HK\$17,122,000) represents receivables arising from the money lending business of the Group and carry fixed rate interests at contractual rates ranging from 12% to 25% per annum. The granting of these loans has been approved and monitored by the Company's executive directors in charge of the Group's money lending operations. Overdue balances are reviewed regularly by senior management.

As at 31 December 2014, the Group does not hold any collateral or other credit enhancements over the loans receivable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

14. 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
	2014	2014
	HK\$'000	HK\$'000
0 – 30 days	26,880	7,137
31 – 60 days	2,303	8,063
Over 60 days	260	1,374
	29,443	16,574

15. SHARE CAPITAL

	The Company	
	No. of	
	shares	
	('000)	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2013, 30 June 2014 and 31 December 2014	60,000,000	600,000
Issued and fully paid:		
At 1 July 2013	1,099,166	10,992
Issue of new shares		
– for acquisition of held-for-trading investments	210,000	2,100
– for cash	1,201,480	12,014
At 30 June 2014 and 31 December 2014	2,510,646	25,106

16. PLEDGE OF ASSETS

As at 31 December 2014, the banking facilities of the Group were secured by the fixed deposit of the Company amounting to approximately HK\$20,700,000 (30 June 2014: HK\$20,591,000) and fixed charge over trade receivables of the Group with an aggregate carrying amount of HK\$86,815,000 (30 June 2014: HK\$49,225,000).

As at 30 June 2014 and 31 December 2014, the Company had executed a corporate guarantee to secure banking facilities of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

17. MATERIAL TRANSACTIONS WITH RELATED PARTIES AND CONNECTED PERSONS

(a) Key management personnel remuneration

The remuneration of key management personnel of the Group during the period was as follows:

	For the six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Short term employee benefits	5,450	5,044
Post-employment benefits	43	204
	5,493	5,248

(b) During the period, the Group entered into the following material transactions with related and connected persons:

(i) Transactions with AVT International Limited

AVT International Limited is a connected person of the Company as defined in the Chapter 14A of the Listing Rules during the six months ended 31 December 2014. AVT International Limited was also related to the Group previously as the controlling shareholder of AVT International Limited is a spouse of a former executive director of the Company who has resigned during the year ended 30 June 2013.

Details of the transactions with AVT International Limited are as follows:

	For the six months ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Transactions		
Purchases from AVT International Limited (<i>note</i>)	46,192	40,292
Sales to AVT International Limited (<i>note</i>)	34,999	29,964

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

17. MATERIAL TRANSACTIONS WITH RELATED PARTIES AND CONNECTED PERSONS (Continued)

(b) During the period, the Group entered into the following material transactions with related and connected persons: (Continued)

(i) *Transactions with AVT International Limited* (Continued)

Note: The above transactions were carried out at terms determined and agreed with a master agreement (the "Master Agreement") dated on 25 November 2010 which had been supplemented by a supplemental master agreement (the "First Supplemental Master Agreement") dated on 10 April 2012. The Master Agreement and the First Supplemental Master Agreement have expired on 30 June 2013. Accordingly, on 26 April 2013, a second supplemental master agreement (the "Second Supplemental Master Agreement") has been entered for a further period of two financial years ending 30 June 2014 and 2015. The Master Agreement, the First Supplemental Master Agreement and the Second Supplemental Master Agreement were approved by special general meetings of the Company held on 12 January 2011, 10 May 2012 and 11 July 2013 respectively.

(ii) *Transactions with Nicegoal Limited*

Nicegoal Limited is a connected person of the Group under the Chapter 14A of the Listing Rules during the six months ended 31 December 2014. Nicegoal Limited was also related to the Group previously as the controlling shareholder of Nicegoal Limited is a spouse of a former executive director of the Company who has resigned during the year ended 30 June 2013.

Details of the transactions with Nicegoal Limited are as follows:

	For the six months ended 31 December	
	2014	2013
Transactions	HK\$'000	HK\$'000
Rent paid to Nicegoal Limited (<i>note</i>)	324	34

Note: The rental expenses incurred in the last period were based on a tenancy agreement signed between the Group and Nicegoal Limited, which had been terminated during the year ended 30 June 2014. In June 2014, the Group and Nicegoal Limited entered into a tenancy agreement to rent an office premise with monthly rental of HK\$50,000 commencing from 1 July 2014 for a period of two years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

18. LITIGATIONS

- (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 costs concerning this claim, and further revised the claims to an amount approximately HK\$227,000,000 in previous years. A legal counsel of the Company opined that the Company has a good prospect of success in establishing and proving the defences against this claim (the "Legal Opinion"). Nevertheless, for prudence sake, the legal counsel has made professional estimation on the possible outcome on judgement amounts to be ranging from approximately HK\$11,450,000 to HK\$261,000,000 basing on several different scenarios should the Company's defences be ruled unsuccessful.

The Group has made a provision of approximately HK\$41,429,000 in the consolidated and the Company's financial statements 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 2014 and 2013.

A court hearing was commenced in June 2014. On 19 December 2014, the court ruled that the claim be rejected and dismissed but China Gold has filed an appeal against the decision. Up to the date of this interim report, the litigation is still in progress and no final judgement or settlement has been reached. Based on the Legal Opinion, the directors of the Company believe that no additional amount arising from the estimated claims 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 2014

18. LITIGATIONS (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 million and the profit deprived therefrom and payment of such sums so found to the Company plus interest and legal costs. In prior year, Mr. Kwok has filed a striking out application (the "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. The Court of Appeal accepted the appeal against the 20 November Judgement on 20 March 2014. The Company decided to proceed with the case by filing an appeal to the Court of Final Appeal but was rejected by the court on 4 November 2014. The Company has filed a further appeal against the decision and up to the date of this interim report, the leave has not yet obtained from the Court of Appeal.

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

In addition, Mr. Kwok has filed several claims of his legal costs incurred for this claim with an aggregate amount of approximately HK\$2,856,000 (the "Legal Costs Claims"). Basing on the legal advice by a legal counsel of the Company, the directors of the Company believe that the Legal Costs Claims are excessive and provision of approximately HK\$1,113,000 has been made as at 31 December 2014.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 19 January 2015, the Company and AMTD Asset Management Limited ("AMTD") entered into a bond placing agreement, pursuant to which AMTD agrees to procure placees to subscribe for a three-year 13% coupon bonds to be issued by the Company in an aggregate principal amount of up to a maximum of HK\$100,000,000 in denomination of HK\$500,000 each during a 90-day selling period, and, subject to and at the discretion of the Company, a further 90-day period immediately thereafter. Up to the date of this interim report, no such bonds have been issued.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

Comparing to the corresponding period of last year, the total revenue of the Group for the six months ended 31 December 2014 increased by 59.44% to approximately HK\$333,363,000 (2013: HK\$209,089,000). In addition to the principal activity in distribution of server storage, multi-media and communication products which accounted for the majority of the total revenue generated, the Group has diversified its activities by operating three newer business segments, being money lending, investments in securities and distribution of rice cooker and household electrical appliances. As the operation scale of these new business segments is not significant, their overall contribution to the Group's revenue in the reporting period was minimal.

The overall gross profit margin during the six months ended 31 December 2014 was maintained at 3.8% (2013: 3.58%) and the consolidated gross profit for the period was approximately HK\$12,658,000, showing an improvement of 69.13% over last period (2013: HK\$7,484,000). Nevertheless, the Group had incurred net fair value losses on investments at fair value through profit or loss of approximately HK\$22,621,000 (2013: HK\$15,469,000) and a total amount of other administrative expenses of approximately of HK\$33,823,000 (2013: HK\$21,600,000). As a result, loss for the period attributable to owners of the Company of approximately HK\$44,480,000 was produced (2013: HK\$30,198,000) and basic loss per share for the period was HK1.77 cents (2013: HK2.20 cents).

Business review and outlook

During the six months ended 31 December 2014, the Group still mainly concentrated on the distribution of server storage, multi-media and communication products by running two principal operating divisions, namely server solution division and integrated circuit solution division and will continue to focus and devote our efforts on improving the performance in this sector according to our established business plan 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.

The above principal activity was augmented by new operation in money lending, investments in securities and distribution of rice cooker and household electrical appliances. During the period under review, the Group had not stopped to look for other new investment opportunities.



MANAGEMENT DISCUSSION AND ANALYSIS

On 5 November 2014 the Company entered into a distribution agreement with Sino Partner Global Limited ("Sino Partner Global"), pursuant to which, the Company was appointed as an authorized dealer and vested with the rights of distribution, marketing and service of sports car "Gumpert Apollo" which have been developed and manufactured by Sino Partner Global and/or its affiliated companies as well as the right to nominate sub-dealers in the contracted territories at the one-off License Fees in an aggregate amount of HK\$25,000,000 of which HK\$5,000,000 was paid by cash, and the remaining balance of HK\$20,000,000 was settled by the issuance of a two-year, 10% coupon straight bonds by the Company to Sino Partner Global.

Looking forward, our management will continue to seek opportunities in line with its approved investing policy to procure suitable acquisition and investment opportunities in quoted and unquoted businesses and will monitor the investments by ensuring that each investment will offer high growth potential and returns to create long-term shareholder value.

Liquidity and capital resources

On 1 September 2014, the Company and KGI Asia Limited ("KGI") entered into a bond placing agreement, pursuant to which KGI agrees to procure placees to subscribe for seven-year 7% coupon straight bonds to be issued by the Company in an aggregate principal amount of up to a maximum of HK\$10,000,000 in one tranche to be placed during a 90-day selling period. On 3 September 2014, such straight bonds with an aggregate principal of HK\$10,000,000 have been issued.

On 5 November 2014, the Company and Hong Kong Stock Link Securities Limited ("Stock Link") entered into a bond placing agreement, pursuant to which Stock Link agrees to procure placees to subscribe for eight-year 6% coupon straight bonds to be issued by the Company in an aggregate principal amount of up to a maximum of HK\$10,000,000 in one tranche to be placed during a 90-day selling period. On 7 November 2014, such straight bonds with an aggregate principal of HK\$10,000,000 have been issued.

As at 31 December 2014, the Group had net current assets of HK\$51,354,000 (30 June 2014: HK\$80,284,000) and net assets of HK\$70,026,000 (30 June 2014: HK\$114,205,000) comprising total assets of approximately HK\$297,375,000 (30 June 2014: HK\$266,483,000) and total liabilities of approximately HK\$227,349,000 (30 June 2014: HK\$152,278,000) comprising current liabilities of approximately HK\$184,585,000 (30 June 2014: HK\$149,863,000) and non-current liabilities of approximately of HK\$42,764,000 (30 June 2014: HK\$2,415,000). The Group's total assets included non-current assets represented by property, plant and equipment of approximately HK\$7,788,000 (30 June 2014: HK\$8,345,000), intangible asset of approximately HK\$26,792,000 (30 June 2014: HK\$2,000,000), deposits of approximately HK\$23,607,000 (30 June 2014: HK\$23,607,000) and available-for-sale investment of approximately HK\$3,249,000 (30 June 2014: HK\$2,384,000) as well as current assets of approximately HK\$235,939,000 (30 June 2014: HK\$230,147,000). The current ratio, representing by current assets divided by current liabilities, was 1.28 (30 June 2014: 1.54).

MANAGEMENT DISCUSSION AND ANALYSIS

Total bank deposits and cash as at 31 December 2014 was approximately HK\$37,748,000 (30 June 2014: HK\$42,035,000) and were denominated in Hong Kong Dollars ("HKD"), Chinese Renminbi ("RMB") and United States Dollars ("USD"). As at 31 December 2014, the Group had total short-term borrowings comprising bank borrowings and other loans of approximately HK\$74,036,000 (30 June 2014: HK\$65,160,000). These borrowings were denominated in HKD were subject to interest at prevailing commercial lending rates. The Group had also issued bonds of approximately HK\$40,390,000 during the period (30 June 2014: nil). The gearing ratio, measuring as the total borrowings over total equity, was 1.63 (30 June 2014: 0.57).

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 fund 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 HKD, RMB and USD. The management considers that the Group's exposure to USD does not give rise to significant currency risk on the ground that HKD is pegged to USD. 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.

Capital and other commitments

On 3 June 2014, the Company and Finsoft Corporation ("Finsoft", together with its subsidiaries, the "Finsoft Group"), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange, entered into a cooperation framework agreement (the Cooperation Framework Agreement"), pursuant to which the Company and the Finsoft Group propose to cooperate and explore opportunities in Southeast Asia Region for several proposed businesses (the "Proposed Businesses"), and each of the Group and the Finsoft Group intends to invest not more than HK\$10 million to develop the Proposed Businesses. Details are set out in the Company's announcement dated 3 June 2014. The Cooperation Framework Agreement has been terminated on 1 September 2014.

The Group has entered into a loan agreement with a borrower (the "PN Borrower") pursuant to which the Group agreed to subscribe three series of promissory notes with aggregate face values of approximately HK\$2,730,000. As at 30 June 2014, the Group has advanced approximately HK\$2,400,000 to the PN Borrower and therefore the Group has committed to advance approximately HK\$330,000 to the PN Borrower which has been drawn as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

On 26 September 2014, the Company and a borrower entered into a loan agreement to advance RMB21,000,000 (or equivalent to approximately HK\$26,600,000) for a term of 5 years ending on 25 September 2019. Such loan carried interests of 25% per annum, payable every 6 months, and is unsecured. 廣州合道環保科技有限公司 (“HeDao HuanBao”) and shareholders of ShuiLiFang have agreed to guarantee the loan and undertaken to repay to the Company in the event that ShuiLiFang defaults in paying the interests and/or the principal amount of loans at their respective due dates. The loan has been drawn as at 31 December 2014.

Save as disclosed above, the Group had no other major commitment as at 31 December 2014.

Material acquisitions and disposals

On 29 August 2014, a subsidiary of the Company entered into a sales and purchase agreement with a vendor (the “Vendor”) to acquire 4% of the issued share capital of a company (the “Target Company”) incorporated in the British Virgin Islands and a loan in an amount of approximately HK\$5,000,000 owing by the Target Company to the Vendor at an aggregate consideration of HK\$5,000,000. The Target Company is primarily involved in investment holding and held 54.4% equity interest in a company established in the PRC which is principally engaged into leasing business in the PRC. The transaction was completed on the same date.

Save as disclosed above, during the six months ended 31 December 2014, no other material acquisition or disposal of subsidiaries or affiliated companies was carried out by the Group.

Number of employees

The Group had 45 employees as at 31 December 2014 (2013: 39). They were remunerated according to the prevailing manpower conditions and individual performance. There was no change on the staff policy during the period under review.

SUPPLEMENTARY INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2014, 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:

Interests 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 2014				Approximate percentage of issued Total share capital	
			Personal/beneficial interest	Corporate interest	Family interest	Other interest		
Mr. Ke Jun Xiang	1	12,000,000	-	132,400,000	125,840,000	-	270,240,000	10.76%
Ms. Lo Yuen Chung	2	7,000,000	-	-	-	-	7,000,000	0.27%
Mr. Chow Yeung Tuen, Richard	2	7,000,000	200,000	-	-	-	7,200,000	0.28%
Mr. Li Chung Kai, Philip	2	5,000,000	-	-	-	-	5,000,000	0.19%
Mr. Kwok Yam Sheung	2	9,000,000	1	-	-	-	9,000,001	0.35%
Mr. Chan Siu Kay	2	9,000,000	-	-	-	-	9,000,000	0.35%

Notes:

- 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, Global Work Management Limited and Ample Key Limited, which held 50,900,000, 1,500,000 and 80,000,000 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 270,240,000 ordinary shares of the Company.

Mr. Ke has charged 80,000,000 ordinary shares which are held by Ample Key Limited to Universe Asia Finance Limited, an authorised institution as defined in the Money Lender Ordinance, as security for a loan facility to Mr. Ke.

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



SUPPLEMENTARY INFORMATION

Short position in the shares and underlying shares of the Company

Name of director	Number of underlying shares of the Company	Number of ordinary shares held as at 31 December 2014				Total	Approximate percentage of issued share capital
		Personal/beneficial Interest	Corporate interest	Family interest	Other interests		
Mr. Ke Jun Xiang (note)	12,000,000	-	-	-	-	12,000,000	0.48%

Note:

A charging order absolute over the share options held in the name of Mr. Ke Jun Xiang to subscribe for 12,000,000 underlying ordinary shares in the Company as a charge for the payment of a judgment debt due from Mr. Ke to an independent third party as the plaintiff had been filed to the Court of First Instance of the High Court of Hong Kong on 21 November 2014.

Save as disclosed herein, as at 31 December 2014, 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 2014 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 2014, 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:

Interests in the shares and underlying shares of the Company

Name of shareholder	Note	Number of underlying shares of the Company	Number of ordinary shares held as at 31 December 2014				Approximate percentage of issued Total share capital	
			Personal/beneficial interest	Corporate interest	Family interest	Other interests		
Ms. Wang Jian Ping	1	12,000,000	-	125,840,000	132,400,000	-	270,240,000	10.76%
State Thrive Limited	1	-	62,920,000	-	-	-	62,920,000	2.50%
Shine Fill Limited	1	-	62,920,000	-	-	-	62,920,000	2.50%
Mr. Yan Xiaobei	2	-	-	125,840,000	-	-	125,840,000	5.01%
Ever Asset Limited	2	-	-	-	-	125,840,000	125,840,000	5.01%

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, Global Work Management Limited and Ample Key Limited, which held 50,900,000, 1,500,000 and 80,000,000 ordinary shares of the Company respectively. Accordingly, Ms. Wang was deemed to have total interests in 270,240,000 ordinary shares of the Company.

Mr. Ke has charged 80,000,000 ordinary shares which are held by Ample Key Limited to Universe Asia Finance Limited an authorised institution as defined in the Money Leader Ordinance, as security for a loan facility to Mr. Ke.

- Mr. Yan Xiabei wholly owned Ever Asset Limited, which held an 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 he was deemed to have interest in 125,840,000 ordinary shares of the Company.

SUPPLEMENTARY INFORMATION

Short position in the shares and underlying shares of the Company

Name of shareholder	Number of underlying shares of the Company	Number of ordinary shares held as at 31 December 2014				Total	Approximate percentage of issued share capital
		Personal/beneficial Interest	Corporate interest	Family interest	Other interests		
Ms. Wang Jian Ping (note)	12,000,000	-	-	-	-	12,000,000	0.48%

Note:

A charging order absolute over the share options held in the name of Mr. Ke Jun Xiang, the spouse of Ms. Wang Jian Ping, to subscribe for 12,000,000 underlying ordinary shares in the Company as a charge for the payment of a judgment debt due from Mr. Ke to an independent third party as the plaintiff had been filed to the Court of First Instance of the High Court of Hong Kong on 21 November 2014.

Save as disclosed above, as at 31 December 2014, 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 2014 Annual Report.

SUPPLEMENTARY INFORMATION

During the six months ended 31 December 2014, 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 2014 are set out below:

Name or category of participants	Date of grant	Exercise period	Exercise price	Outstanding balance of 1 July 2014	Granted during the period	Forfeiture during the period	Outstanding balance of 31 December 2014
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 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
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

SUPPLEMENTARY INFORMATION

Name or category of participants	Date of grant	Exercise period	Exercise price	Outstanding balance of 1 July 2014	Granted during the period	Forfeiture during the period	Outstanding balance of 31 December 2014
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
Employees of the Company	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	9,000,000	-	-	9,000,000
Employees of a subsidiary of the Company (note)	26 July 2011	26 July 2011 to 26 June 2021	HK\$0.52	6,000,000	-	-	6,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	14,000,000	-	(2,000,000)	12,000,000
				80,000,000	-	(2,000,000)	78,000,000

Note: One of the employees of a subsidiary of the Company, who was entitled 2,000,000 share options, has resigned during the year ended 30 June 2014. As the share options were not exercised within 3 months after the date of his 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 2014.

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. In the opinion of the Board of the Company, the Company has complied with the CG Code throughout the six months ended 31 December 2014, except for the following deviations:–

Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Chairman, Mr. Ke Jun Xiang, has doubled up as CEO on a temporary basis since 12 August 2014 due to the resignation of the CEO from the position and was reassigned as the general manager of the Company. The Board is still in the course of identifying a suitable candidate as the new CEO.

Code Provision E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. In the absence of the Chairman of the Company at the annual general meeting of the Company held on 30 December 2014, the Deputy Chairman together with the chairman of the audit committee, members of the remuneration committee and nomination committee and the other directors of the Company, made themselves available to answer shareholders’ questions regarding the activities of the Company and various board committees.

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 2014. The Model Code also applies to the senior management of the Group.



SUPPLEMENTARY INFORMATION

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 2014 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 independent non-executive directors of the Company.

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

Hong Kong, 26 February 2015