



CIL HOLDINGS LIMITED

華建控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code : 00479

2015/16
INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Mr. Ke Jun Xiang
(Chairman & Chief Executive Director)
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

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
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 2015

The board of directors (the "Board") of CIL Holdings Limited (the "Company") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2015 as follows:

		For the six months ended 31 December	
		2015	2014
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Revenue	3	162,947	333,363
Cost of sales		(159,714)	(320,705)
		<hr/>	<hr/>
Gross profit		3,233	12,658
Other income	4	4,976	1,357
Gains arising from written back of loan and other payables	5	69,313	–
Fair value profits/(losses) on investments at fair value through profit or loss, net		1,245	(22,621)
Other administrative expenses		(34,382)	(33,823)
Finance costs	6	(4,655)	(1,156)
		<hr/>	<hr/>
Profit/(loss) before taxation	7	39,730	(43,585)
Income tax credit/(expense)	8	599	(594)
		<hr/>	<hr/>
Profit/(loss) for the period		40,329	(44,179)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive profit/(loss) for the period		40,329	(44,179)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		41,291	(44,480)
Non-controlling interest		(962)	301
		<hr/>	<hr/>
		40,329	(44,179)
		<hr/> <hr/>	<hr/> <hr/>
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company:			
Basic	9	1.50 cents	(1.77) cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

Details of interim dividend payable to owners of the Company are set out in note 10.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		As at	
		31 December	30 June
		2015	2015
		(unaudited)	(audited)
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		6,277	6,134
Intangible assets	11	24,292	25,542
Deposits paid for acquisition of items of property, plant and equipment		10,400	4,145
Available-for-sale investment		48	48
Loans receivable	12	26,196	26,196
Deposits	13	-	21,171
		67,213	83,236
Current assets			
Inventories		5,025	13,261
Loans receivable	12	79,700	6,700
Prepayments, deposits and other receivables	13	39,980	9,950
Trade receivables	14	44,395	37,602
Investments at fair value through profit or loss		36,149	23,921
Tax recoverable		337	286
Pledged fixed deposit		20,853	20,789
Bank balances and cash		9,180	11,874
		235,619	124,383
Current liabilities			
Trade payables	15	8,809	11,857
Accruals, deposits received and other payables	16	11,537	62,210
Tax payable		260	259
Borrowings	17	119,862	38,141
		140,468	112,467
Net current assets		95,151	11,916
Total assets less current liabilities		162,364	95,152

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		As at	
		31 December	30 June
		2015	2015
		(unaudited)	(audited)
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		145	145
Borrowings	17	20,167	41,978
		20,312	42,123
Net assets			
		142,052	53,029
Capital and reserves			
Issued capital	18	30,126	25,106
Reserves		109,213	24,248
Equity attributable to owners of the Company			
Non-controlling interests		139,339	49,354
		2,713	3,675
Total equity			
		142,052	53,029

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	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 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>
At 30 June 2015 and 1 July 2015 (audited)	25,106	279,689	(100)	10,271	-	(265,612)	49,354	3,675	53,029
Total comprehensive profit for the period	-	-	-	-	-	41,291	41,291	(962)	40,329
Transaction with owners:									
Issue of placing shares									
for cash	5,020	45,180	-	-	-	-	50,200	-	50,200
Share issue expenses	-	(1,506)	-	-	-	-	(1,506)	-	(1,506)
At 31 December 2015 (unaudited)	<u>30,126</u>	<u>323,363</u>	<u>(100)</u>	<u>10,271</u>	<u>-</u>	<u>(224,321)</u>	<u>139,339</u>	<u>2,713</u>	<u>142,052</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

	For the six months ended 31 December	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(130,721)	(21,343)
Net cash used in investing activities	(13,181)	(32,278)
Net cash from financing activities	141,208	49,225
Net decrease in cash and cash equivalents	(2,694)	(4,396)
Cash and cash equivalents at 1 July	11,874	21,444
Cash and cash equivalents at 31 December	9,180	17,048
Represented by:		
Bank balances and cash	9,180	17,048

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

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 2015 (collectively, the "Interim Financial Statements") are presented in Hong Kong dollars ("HK\$") and have been approved for issue by the Board on 29 February 2016.

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 of Hong Kong Limited (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 2015. In the current interim period, the Group has applied, for the first time, the following 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 HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above 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 2015

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	
	2015	2014
	HK\$'000	HK\$'000
Sales of goods	159,407	331,923
Interest income from money lending operations	3,540	1,440
	162,947	333,363

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 four reportable operating segments and details are as follows:

- (i) distribution of server storage, multi-media and communication products in Hong Kong;
- (ii) distribution of rice cooker and household electrical appliances to Southeast Asia;
- (iii) money lending segment engages primarily in money lending operations in Hong Kong; and
- (iv) investments in securities segment engages primarily in the purchase and sale of securities and the holding of equity investments primarily for dividend income and capital appreciation.

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 2015

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.

	Distribution of sever storage, multi-media and communication products				Money lending				Investment in securities				Distribution of rice cooker and household electrical appliances				Consolidated	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Segment revenue	159,407	331,923	3,540	1,440	-	-	-	-	-	-	-	-	-	162,947	333,363			
Segment results	(9,147)	3,601	974	231	1,902	(22,721)	-	(46)	(6,271)	(18,935)								
Reconciliations:																		
Interest income														3,312	112			
Unallocated finance costs														(2,062)	(499)			
Gains arising from written back of loan and other payables														69,313	29			
Unallocated corporate expenses														(24,562)	(24,292)			
Profit/(loss) before taxation														39,730	(43,585)			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

3. REVENUE AND SEGMENT INFORMATION (Continued)

	Distribution of sever storage, multi-media and communication products				Distribution of rice cooker and household electrical appliances				Consolidated	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information										
Finances costs:										
allocated	(240)	(618)	(2,100)	-	(253)	(39)	-	-	(2,593)	(657)
unallocated									(2,062)	(499)
									(4,655)	(1,156)
Depreciation and amortisation:										
allocated	(270)	(267)	(11)	(208)	-	(1)	-	-	(281)	(476)
unallocated									(2,960)	(1,167)
									(3,241)	(1,643)
Fair value losses on investments at fair value through profit or loss, net	-	-	-	-	1,245	(22,621)	-	-	1,245	(22,621)
Capital expenditure:										
allocated	55	49	-	-	-	-	-	-	55	49
unallocated									2,940	829
									2,995	878

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

3. REVENUE AND SEGMENT INFORMATION (Continued)

	Distribution of sever storage, multi-media and communication products				Money lending		Investment in securities		Distribution of rice cooker and household electrical appliances		Consolidated	
	As at		As at		As at		As at		As at		As at	
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets and liabilities												
Segment assets	52,905	56,311	82,285	9,426	36,188	25,361	-	20,000	171,378	111,098		
Tax recoverable									337	286		
Available-for-sale investment									48	48		
Unallocated corporate assets									131,069	96,187		
Total assets									302,832	207,619		
Segment liabilities	38,772	25,575	3,011	18	10,647	4,737	-	-	52,430	30,330		
Tax payable									260	259		
Deferred tax liabilities									145	145		
Unallocated liabilities									107,945	123,856		
Total liabilities									160,780	154,590		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

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 2015 and 2014 accounted for more than 10% of the total revenue of the Group as are as follows:

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Customer A	67,190	156,481
Customer B	48,613	93,965
Customer C	27,658	34,999
	<u>67,190</u>	<u>34,999</u>

Sales to customers A, B and C are included in the segment of distribution of server storage, multimedia 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 2015	31 December 2014	As at 2015	30 June 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and other parts of the PRC (place of domicile)	162,947	332,990	40,969	35,821
Elsewhere	-	373	-	20,000
	<u>162,947</u>	<u>333,363</u>	<u>40,969</u>	<u>55,821</u>

Note: Non-current assets exclude available-for-sale investment, loans receivable and financial assets included in deposits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

4. OTHER INCOME

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Bank interest income	1	112
Other	4,975	1,245
	4,976	1,357

5. GAINS ARISING FROM WRITTEN BACK OF LOAN AND OTHER PAYABLES

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Gains arising from written back of balances in relation to disputed claims (note):		
– borrowings	17,688	–
– interest payable of borrowings	10,196	–
– provision for litigation	41,429	–
	69,313	–

Note: the amounts written back were in relation to the disputed claim against the Company as set out in note 16, 17 and 21(a).

6. FINANCE COSTS

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Interest on bank loans, bills and overdrafts wholly repayable within five years	240	618
Other borrowing costs	4,415	538
	4,655	1,156

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging the following:

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Cost of goods sold and services provided	159,714	320,705
Staff costs including directors' emoluments	12,861	10,101
Pension scheme contributions	301	275
Depreciation and amortisation	3,241	1,643
Operating lease rentals in respect of land and buildings	1,344	2,365
	<u>187,461</u>	<u>665,090</u>

8. INCOME TAX CREDIT/(EXPENSE)

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Overprovision for prior period	599	-
Current period	-	(594)
	<u>599</u>	<u>(594)</u>
Income tax credit/(expense)	<u>599</u>	<u>(594)</u>

No provision for Hong Kong Profits Tax was made for the six months ended 31 December 2015. For the six months ended 31 December 2014, it was calculated at 16.5% of the estimated assessable profit for the period.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the six months ended 31 December 2015 is based on the Group's profit attributable to owners of the Company of approximately HK\$41,291,000 (2014: loss of HK\$44,480,000) and on the weighted average number of 2,744,580,628 (2014: 2,510,645,846) ordinary shares in issue during the period.

Diluted earnings per share for both periods ended 31 December 2015 and 2014 are not presented as the average stock price of the Company during the six months ended 31 December 2015 exceeded the exercise price of the outstanding share options of the Company and for the six months ended 31 December 2014, the outstanding share options of the Company were anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

10. INTERIM DIVIDEND

No interim dividend was paid or proposed for the six months ended 31 December 2015 (2014: nil), nor has any dividend been proposed since the end of the reporting period.

11. INTANGIBLE ASSETS

	As at	
	31 December	30 June
	2015	2015
	HK\$'000	HK\$'000
Unamortised distribution rights in sport cars	22,292	23,542
Unamortised money lender licence	2,000	2,000
	24,292	25,542

12. LOANS RECEIVABLE

		As at	
		31 December	30 June
		2015	2015
	<i>Note</i>	HK\$'000	HK\$'000
Loans receivable arising from money lending business	(a)	79,700	6,700
Other loan receivable	(b)	26,196	26,196
		105,896	32,896
Less: amount classified as current portion	(c)	(79,700)	(6,700)
Amount classified as non-current		26,196	26,196

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

12. LOANS RECEIVABLE (Continued)

Note:

- (a) During the period ended 31 December 2015, the Group had entered into two loan transactions of HK\$4,700,000 ("Loan Transaction A") and HK\$75,000,000 ("Loan Transaction B") in the usual course of money lending business respectively. The loans carry fixed rate interests at contractual rates ranging from 12% to 24% per annum and repayment of which will become due for repayment before the end of the current financial year. The borrower under Loan Transaction A and that of Loan Transaction B are independent third party of the Company and are not connected or otherwise associated with each other. Under the Listing Rules, Loan Transaction B constitutes a major transaction of the Company and the grant of the relevant loan is subject to the general disclosure obligations. However, the management of the Company misunderstood the Listing Rules and incorrectly considered that it was a transaction of revenue nature in the ordinary and usual course of business which fell outside the definition of "transaction" under Chapter 14 of the Listing Rules and therefore had overlooked to comply with the reporting, announcement and shareholders' approval requirements under the Listing Rules at the time of granting of the loan but the Board will take necessary measures to rectify the inadvertent omission as soon as possible.

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.

- (b) In June 2014, the Company entered into a cooperation agreement (the "Cooperation Agreement") with two shareholders of 廣州市水立坊公共浴室有限公司 ("ShuiLiFang"). Pursuant to the Cooperation Agreement, among other things, (i) 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 at 30 June 2014, the "ShuiLiFang Deposit") which was included in prepayments, deposits and other receivables at 30 June 2014; and (ii) agreed to make an advance of RMB18,900,000 (equivalent to approximately HK\$23,587,000 at 30 June 2014, the "ShuiLiFang Original Loan") to ShuiLiFang, which was interest-free, unsecured and had no fixed terms of repayment. The Cooperation Agreement was terminated by a termination agreement ("ShuiLiFang Termination Agreement") entered between the Company and the shareholders of ShuiLiFang on 26 September 2014.

On 26 September 2014, the Company entered into a loan agreement (the "ShuiLiFang Loan Agreement") with ShuiLiFang, 廣州合道環保科技有限公司 ("HeDao HuanBao") and two shareholders of ShuiLiFang, pursuant to which the Company (as a lender) agreed to grant a loan in the principal amount of RMB21,000,000 (which equivalent to approximately HK\$26,196,000 at 30 June 2015, "ShuiLiFang Existing Loan") to ShuiLiFang (as a borrower). ShuiLiFang Deposit and ShuiLiFang Original Loan formed the entire amount of ShuiLiFang Existing Loan which carries interest of 25% per annum with tenure of 5 years with maturity falling due on 25 September 2019. The interest accrued on the outstanding principal amount of ShuiLiFang Existing Loan is payable by ShuiLiFang to the Company at the end of every period of 6 months from the date of the ShuiLiFang Loan Agreement. ShuiLiFang Existing Loan is secured by a corporate guarantee granted by HeDao Huan Bao and personal guarantees granted by each of the individual shareholders of ShuiLiFang.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

12. LOANS RECEIVABLE (Continued)*Note: (Continued)*

- (c) As at 31 December 2015, the Group did not hold any collateral or other credit enhancements over the loans receivable (30 June 2015: nil).

The age analysis of the loans receivable that are not considered to be impaired is as follow:

	As at	
	31 December	30 June
	2015	2015
	HK\$'000	HK\$'000
Neither past due nor impaired	105,896	32,896

Receivables that were neither past due nor impaired relate to a number of borrowers for whom there was no recent history of default, or the default has been rectified during the year. Based on past experience, the executive directors of the Company were of the opinions that no allowance for impairment loss was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	31 December	30 June
	2015	2015
	HK\$'000	HK\$'000
Rental deposit	2,277	516
Deposit paid to secure an agency agreement	20,000	20,000
Deposits paid for acquisition of subsidiaries	2,835	4,086
Consideration receivable arising from disposal of a subsidiary	400	1,000
Other loan interest receivable	1,743	1,730
Others	12,725	3,789
	39,980	31,121
Less: amount classified as current portion	(39,980)	(9,950)
Amount classified as non-current	-	21,171

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

14. TRADE RECEIVABLES

	As at	
	31 December	30 June
	2015	2015
	HK\$'000	HK\$'000
Trade receivables	44,395	37,602

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 105 days (2014: 97 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
	2015	2015
	HK\$'000	HK\$'000
0 – 30 days	20,516	17,042
31 – 60 days	21,739	13,254
Over 60 days	2,140	7,306
	44,395	37,602

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\$12,444,000 (30 June 2015: HK\$10,852,000) 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 2015

14. TRADE RECEIVABLES (Continued)

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
	2015	30 June
	HK\$'000	2015
		<i>HK\$'000</i>
Less than 1 month past due	10,911	10,698
1 to 3 months past due	1,533	154
More than 3 months past due	-	-
	12,444	10,852

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 2015, trade receivables with an aggregate carrying amount of HK\$42,022,000 (30 June 2015: HK\$33,769,000) had been charged to secure the general banking facilities of the Company.

15. TRADE PAYABLES

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

	31 December	As at
	2015	30 June
	HK\$'000	2015
		<i>HK\$'000</i>
0 – 30 days	8,809	7,955
31 – 60 days	-	3,874
Over 60 days	-	28
	8,809	11,857

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

16. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at	
	31 December	30 June
	2015	2015
	HK\$'000	HK\$'000
Balance in relation to disputed claims:		
– interest payable of borrowings (<i>note</i>)	–	10,196
– provision for litigation (<i>note</i>)	2,463	43,892
Others	9,074	8,122
	<hr/> 11,537 <hr/>	<hr/> 62,210 <hr/>

Note: Interest payable of borrowings of HK\$10,196,000 and provision for litigation of HK\$41,429,000 included in the respective balances as at 30 June 2015 in relation to the disputed claim against the Company as set out in note 21(a) were written back during the period ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

17. BORROWINGS

	As at	
	31 December	30 June
	2015	2015
	HK\$'000	HK\$'000
Bank borrowings, secured:		
– factoring loan	23,189	7,966
– other bank borrowings	3,824	3,765
Margin loan payable, secured	10,646	4,722
Other loans, unsecured (<i>note</i>)	60,000	21,688
Bonds, unsecured	42,370	41,978
	140,029	80,119
Less: amount classified as current liabilities	(119,862)	(38,141)
Amount classified as non-current liabilities	20,167	41,978
Secured	37,659	16,453
Unsecured	102,370	63,666
	140,029	80,119

Note: The outstanding loan of HK\$60,000,000 as at 31 December 2015 will be due for repayment in December 2016. Out of the balance of HK\$21,688,000 as at 30 June 2015, borrowings amounting to HK\$17,688,000 were written back in relation to the disputed claim against the Company as set out in note 21(a) during the period ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

18. SHARE CAPITAL

	No. of shares (<i>'000</i>)	<i>HK\$</i> '000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2014, 30 June 2015 and 31 December 2015	60,000,000	600,000
Issued and fully paid:		
At 1 July 2014 and 30 June 2015	2,510,646	25,106
Issue of new shares for cash	502,000	5,020
At 31 December 2015	3,012,646	30,126

19. PLEDGE OF ASSETS

As at 31 December 2015, the banking facilities of the Group were secured by the fixed deposit of the Company amounting to approximately HK\$20,853,000 (30 June 2015: HK\$20,789,000) and fixed charge over trade receivables of the Group with an aggregate carrying amount of HK\$42,022,000 (30 June 2015: HK\$33,769,000).

As at 31 December 2015 and 30 June 2015, 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 2015

20. 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	
	2015	2014
	HK\$'000	HK\$'000
Short term employee benefits	5,680	5,450
Post-employment benefits	35	43
	5,715	5,493

(b) Other material transactions with related and connected persons

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 period.

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

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Transactions		
Purchases from AVT International Limited (<i>note</i>)	-	46,192
Sales to AVT International Limited (<i>note</i>)	-	34,999

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

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

(b) Other material transactions with related and connected persons (Continued)

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

Note: The transactions with AVT International Limited 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 expired on 30 June 2013. Accordingly, on 26 April 2013, a second supplemental master agreement (the "Second Supplement Master Agreement") had 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. As the Second Supplement Master Agreement expired on 30 June 2015 and had not been renewed, the Group did not carried out any transactions with AVT International Limited during the six months ended 31 December 2015.

(ii) *Transactions with directors of the Company*

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Transactions		
Principal amount of other loans to the Company which are secured by personal guarantee executed by Mr. Wilson Wong and Mr. Ke Jun Xiang jointly	60,000	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

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

(c) Applicability of the Listing Rules relating to connected person transactions

The sales and purchases transactions with AVT International Limited as set out in note (b)(i) above are continuing connected transactions which require reporting, announcement and independent shareholders' approval as stipulated in Chapter 14A of the Listing Rules.

The transactions set out in note (b)(ii) above are exempted continuing connected transactions as they are conducted on terms favourable than normal commercial terms, and the loans or guarantees are not secured by the assets of the Company and the Group.

21. 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 would have a good prospect of success in establishing and proving the defences against this claim. Nevertheless, for prudence sake, the legal counsel had 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 had 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 as at 30 June 2015 as set out in in note 16 above.

A court hearing was held in June 2014 and a judgement (the "2014 Judgement") favourable to the Company was issued in December 2014. In January 2015, China Gold filed an appeal against the 2014 Judgement which was fixed to be heard at the Court of Appeal (the "CA") in November 2015. On 27 November 2015, the CA made an order to dismiss the appeal (the "CA Order"). As China Gold had not filed application to the CA or the Court of Final Appeal (the "CFA") for leave to appeal to the CFA within 28 days from the date of the CA Order, the legal counsel of the Company opined that the legal action of China Gold had finally been concluded with the judgement in the CA Order in favour of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

21. LITIGATIONS (Continued)

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

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

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

- (c) The Company 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 had 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 filed an appeal to the Court of Appeal.

During the year ended 30 June 2015, the Court of Final Appeal dismissed the Court of Final Appeal Action and therefore the action commenced by the Company against Mr. Kwok has finally been dismissed upon delivery of the Court of Final Appeal Action Order.

Allowance for impairment had been fully provided in the consolidated financial statements in previous years. In addition, the aggregate amounts of legal costs claimed by Mr Kwok and the Company's legal counsel were approximately HK\$2,737,000 of which HK\$2,679,000 had been settled as at 31 December 2015 (30 June 2015: HK\$600,000) and the balance of HK\$58,000 was settled subsequent to the period end.

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group had no significant events occurring after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results and business review

Comparing to the corresponding period ended 31 December 2014, the total revenue of the Group for the six months ended 31 December 2015 decreased by 51.12% to approximately HK\$162,947,000 (2014: HK\$333,363,000). Overall gross profit margin also dropped significantly to 1.98% (2014: 3.80%), causing a reduction of total gross profit to approximately HK\$3,233,000 (2014: HK\$12,568,000).

The Group continued to engage in distribution of server storage, multi-media and communication products, money lending and investments in securities. Trading in distribution of rice cooker and household electrical appliances in Southeast Asia, as mentioned in our 2015 Annual Report, has become stagnant due to difficulties encountered in product branding and distribution networking.

The principal activity in the distribution of sever storage, multi-media and communication products accounted for the majority of 97.83% of the total revenue at approximately HK\$159,407,000 (2014: HK\$331,923,000). The performance drop in this segment in term of revenue and gross profit was mainly caused by keen competition in the market arising from the sluggish demand for IT products from customers under the current highly fluctuating economic environment. In order to regain competitive edge, we will put more resources to provide quality sale services to our customers by designing innovative tailor-made technical solutions to meet their corporate needs.

The remaining 2.17% of the total revenue at approximately HK\$3,540,000 was attributed from the operation in money lending (2014: HK\$1,440,000) and the growth over the past year is encouraging. Despite of this, the Group will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by our senior management.

In the absence of trading in distribution of rice cooker and household electrical appliances, no revenue was generated from this segment during the period. Nevertheless, the directors of the Company have not given up developing this business and still consider it will be playing an important role in the Group's future strategic plan. Currently, we are studying the market potentials in other countries in the Southeast Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

As to investment in securities, the Group gained a small profit of approximately HK\$1,902,000 (2014: loss of HK\$22,721,000) from investment in securities despite of the volatility in local stock market. As at 31 December 2015, the Group held listed securities of approximately HK\$36,149,000 (30 June 2015: HK\$23,921,000). The investment portfolio is maintained under the Group's prudent policy of not contemplating investments that carry unreasonably high degree of market price volatility and that may impose financial obligations upon the Group that it could not reasonably expect to meet.

At the moment, the Group is still working on the new project of distribution, marketing and service of the sports car branded "Gumpert Apollo" which details were set out in our 2015 Annual Report. We have communicated with the car manufacturer closely so that shipment of our first order could be delivered in the coming few months.

The total amount of other administrative expenses during the period slightly increased 1.65% to approximately HK\$34,382,000 (2014: HK\$33,823,000) and the finance costs rose about 4 times to approximately HK\$4,655,000 (2014: HK\$1,156,000) which was mainly incurred for the issued bonds and increase in other borrowings.

Close to the end of the period, the claim of China Gold Limited against the Company for an outstanding loan together with the associated loan interest, as set out in note 21(a) to the interim condensed consolidated financial statements, was finally dismissed by the Court of Appeal. A total sum of approximately HK\$69,313,000 representing the loan principal, financial interest and other provision previously provided in the accounts of the Group was written back. With this extra gain, a profit for the period attributable to owners of the Company of approximately HK\$41,291,000 was recorded (2014: loss of HK\$44,480,000) and basic earnings per share for the period was HK1.50 cents (2014: loss per share of HK\$1.77 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and capital resources

During the six months ended 31 December 2015, the Company had issued new shares of 250,000,000 and 252,000,000 respectively in two separate placements for cash. The total net proceeds of approximately HK\$48,694,000, after deducting placing commission and other related expenses, was applied towards general working capital and for financing new investment opportunities.

As at 31 December 2015, the Group had net assets of approximately HK\$142,052,000 (30 June 2015: HK\$53,029,000), comprising total assets of approximately HK\$302,832,000 (30 June 2015: HK\$207,619,000) and total liabilities of approximately HK\$160,780,000 (30 June 2015: HK\$154,590,000).

The Group's total assets included total non-current assets of approximately HK\$67,213,000 (30 June 2015: HK\$83,236,000) and total current assets of approximately HK\$235,619,000 (30 June 2015: HK\$124,383,000). Decrease in non-current assets was mainly due to the reclassification of a significant amount of deposits previously classified as non-current to prepayments, deposits and other receivables as current assets. Apart from such reclassification, increase in current loans receivable to approximately HK\$79,700,000 (30 June 2015: HK\$6,700,000) as a result of the expansion of money lending business and increase in the amount of investments at fair value through profit or loss to approximately HK\$36,149,000 (30 June 2015: HK\$23,921,000) were the other main factors attributable to the total amount of current assets becoming much larger than before, notwithstanding that inventories had dropped 62.11% to approximately HK\$5,025,000 (30 June 2015: HK\$13,261,000).

Total bank deposits and cash of approximately HK\$30,033,000 (30 June 2015: HK\$32,663,000), which included a pledged fixed deposit of approximately HK\$20,853,000 (30 June 2015: HK\$20,789,000), were denominated in Hong Kong Dollars ("HKD"), Chinese Renminbi ("RMB") and United States Dollars ("USD").

MANAGEMENT DISCUSSION AND ANALYSIS

Total liabilities comprised current liabilities of approximately HK\$140,468,000 (30 June 2015: HK\$112,467,000) and non-current liabilities of approximately HK\$20,312,000 (30 June 2015: HK\$42,123,000). It was mainly represented by the total of current and non-current borrowings aggregating approximately HK\$140,029,000 (30 June 2015: HK\$80,119,000). The increase of 74.78% in total borrowings was caused by new lending including bank borrowings, margin loan and other advances incurred during the period, despite the write-back of outstanding loan payable, accrued financial interest and related provision relating to the claim from China Gold Limited had reduced the total liabilities by approximately HK\$69,313,000.

The current ratio, representing by current assets divided by current liabilities, was 1.68 (30 June 2015: 1.11).

As at 31 December 2015, the aggregate amount of bank borrowings, margin loan payable and other loans of approximately HK\$97,659,000 (30 June 2015: HK\$38,141,000) were denominated in HKD and USD, and were subject to interest at prevailing commercial lending rates. Together with the outstanding bonds of approximately HK\$42,370,000 (30 June 2015: HK\$41,978,000) which were denominated in HKD, total borrowings amounted to approximately HK\$140,029,000 (30 June 2015: HK\$80,119,000).

As a result of the issue of new shares and the amount of write-back in relation to the claim from China Gold Limited, the total equity had been improved substantially to approximately HK\$142,052,000 as at 31 December 2015 (2014: HK\$53,029,000). The gearing ratio, measuring as the total borrowings over total equity of was 0.99 (30 June 2015: 1.51).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 has monitored the Group's currency exposure closely and will consider hedging significant foreign exchange risk exposure should the need arise.

Capital commitment

The Group had no major capital commitment as at 31 December 2015 (2014: nil).

Material acquisitions and disposals

The Group had no material acquisitions and disposals of subsidiaries during the six months ended 31 December 2015.

Employees and remuneration policy

The Group had 47 employees as at 31 December 2015 (2014: 45). They were remunerated according to the prevailing manpower conditions and individual performance. There was no change on the staff policy during the period ended 31 December 2015. The staff cost (including directors' remunerations) during the period amounted to approximately HK\$12,861,000 (2014: HK\$10,101,000). The Company may grant share options to directors of the Company, employees of the Group and other eligible participants under the share option scheme adopted and approved in the year 2011. As at 31 December 2015 there were 78,000,000 (2014: 78,000,000) share options outstanding under the share option scheme.

SUPPLEMENTARY INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2015, 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 2015				Total	Approximate percentage of issued share capital
			Personal/beneficial interest	Corporate interest	Family interest	Other interest		
Mr. Ke Jun Xiang	1	12,000,000	381,380,000	132,400,000	125,840,000	—	651,620,000	21.63%
Mr. Wilson Wong		—	93,100,000	—	—	—	93,100,000	3.09%
Ms. Lo Yuen Chung	2	7,000,000	—	—	—	—	7,000,000	0.23%
Mr. Chow Yeung Tuen, Richard	2	7,000,000	—	—	—	—	7,000,000	0.23%
Mr. Li Chung Kai, Philip	2	5,000,000	—	—	—	—	5,000,000	0.17%
Mr. Kwok Yam Sheung	2	9,000,000	1	—	—	—	9,000,001	0.30%
Mr. Chan Siu Kay	2	9,000,000	—	—	—	—	9,000,000	0.30%

Notes:

- Mr. Ke Jun Xiang held 12,000,000 underlying ordinary shares of the Company pursuant to share options granted by the Company. In addition to his personal interest of 381,380,000 ordinary shares of 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 651,620,000 ordinary shares of the Company.

Mr. Ke has charged 80,000,000 ordinary shares of the Company 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 him.

- 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 2015				Total	Approximate percentage of issued share capital
		Personal/beneficial interest	Corporate interest	Family interest	Other interest		
Mr. Ke Jun Xiang (<i>note</i>)	12,000,000	—	—	—	—	12,000,000	0.40%

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 2015, 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 "Interests of Directors and Chief Executives" above, at no time during the period 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 2015, 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 Shareholder	Number of underlying shares of The Company	Number of ordinary shares held as at 31 December 2015				Approximate percentage of issued Total share capital	
		Personal/					
		Beneficial Interest	Corporate interest	Family interest	Other interests		
Ms. Wang Jian Ping (note)	12,000,000	—	125,840,000	513,780,000	—	651,620,000	21.63%
State Thrive Limited (note)	—	62,920,000	—	—	—	62,920,000	2.09%
Shine Fill Limited (note)	—	62,920,000	—	—	—	62,920,000	2.09%

Note: 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, in addition to his personal interest of 381,380,000 ordinary shares of the Company, 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 651,620,000 ordinary shares of the Company.

Mr. Ke has charged 80,000,000 ordinary shares of the Company 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 him and Ms. Wang has pledged the ordinary shares of the Company held by State Thrive Limited and Shine Fill Limited to Ever Asset Limited as security.

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 2015				Total	Approximate percentage of issued share capital
		Personal/beneficial interest	Corporate interest	Family interest	Other interest		
Ms. Wang Jian Ping (note)	12,000,000	—	—	—	—	12,000,000	0.40%

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 2015, 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

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

SUPPLEMENTARY INFORMATION

During the period, no share option granted under the Scheme was exercised. Details of the share options granted under the Scheme and outstanding as at 31 December 2015 are set out below:

Category of participants	Date of grant	Exercise period	Exercise price	Outstanding balance at 1 July 2015	Granted during the period	Forfeiture during the period	Outstanding balance at 31 December 2015
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. Li Chung Kai, Philip	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	5,000,000	-	-	5,000,000
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. 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

Category of participants	Date of grant	Exercise period	Exercise price	Outstanding balance at 1 July 2015	Granted during the period	Forfeiture during the period	Outstanding balance at 31 December 2015
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	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	12,000,000	-	-	12,000,000
				78,000,000			78,000,000

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 2015.

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 during the period ended 31 December 2015, except for the deviation from code provision A.2.1.

Under 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 of the Company has doubled up as CEO since 12 August 2014 on a temporary basis due to the resignation of the former CEO from the position. The Board is still in the course of identifying a suitable candidate as the new CEO.

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 2015. The Model Code also applies to the senior management of the Group.

SUPPLEMENTARY INFORMATION

REVIEW 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 interim consolidated financial statements for the six months ended 31 December 2015 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, 29 February 2016