



CIL HOLDINGS LIMITED

華建控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code : 00479

INTERIM REPORT 2017/18

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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

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Sun Cheong Industrial Building

1 Cheung Shun Street

Kowloon, Hong Kong

STOCK CODE

00479

COMPANY WEBSITE

www.cil479.com.hk

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

The board of directors (the "Board") of CIL Holdings Limited (the "Company") hereby presents the unaudited consolidated results of the Company and its subsidiaries (herein collectively referred to as the "Group") for the six months ended 31 December 2017 as follows:

		For the six months ended 31 December	
		2017	2016
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Revenue	3	53,977	49,991
Cost of sales	7	(49,747)	(44,777)
Gross profit		4,230	5,214
Other income	4	3,094	3,191
Fair value (losses)/gains on investments at fair value through profit or loss, net	7	(332)	1,515
Staff costs	5	(14,395)	(16,758)
Depreciation and amortisation	7	(2,976)	(4,108)
Operating lease expenses	7	(2,467)	(2,771)
Other expenses		(9,887)	(10,554)
Finance costs	6	(5,194)	(4,389)
Loss before taxation	7	(27,927)	(28,660)
Income tax expense	8	-	-
Loss for the period		(27,927)	(28,660)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(27,927)	(28,660)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	For the six months ended 31 December	
	2017	2016
	(unaudited)	(unaudited)
Note	HK\$'000	HK\$'000
Loss for the period attributable to:		
– Owners of the Company	(27,260)	(27,903)
– Non-controlling interests	(667)	(757)
	<u>(27,927)</u>	<u>(28,660)</u>
Total comprehensive loss for the period attributable to:		
– Owners of the Company	(27,260)	(27,903)
– Non-controlling interests	(667)	(757)
	<u>(27,927)</u>	<u>(28,660)</u>
Loss per share for loss attributable to owners of the Company:		
	9	
– Basic	<u>(0.75) cents</u>	<u>(0.77) cents</u>
– Diluted	<u>N/A</u>	<u>N/A</u>

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 2017

		As at	
		31 December	30 June
		2017	2017
		(unaudited)	(audited)
<i>Note</i>		HK\$'000	<i>HK\$'000</i>
Non-current assets			
		12,969	15,158
		12,165	12,900
		19,005	24,413
		20,000	20,000
		64,139	72,471
Current assets			
		2,471	8,126
		9,131	18,201
		19,140	9,477
		9,380	14,932
		65,675	59,277
		10,000	20,000
		9,168	18,542
		124,965	148,555
Current liabilities			
		3,961	16,176
		6,042	4,049
		442	662
		71,917	64,835
		82,362	85,722
Net current assets		42,603	62,833
Total assets less current liabilities		106,742	135,304

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		As at	
		31 December	30 June
		2017	2017
		(unaudited)	(audited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Non-current liabilities			
Borrowings, due after one year	17	<u>20,214</u>	<u>20,849</u>
Net assets		<u>86,528</u>	<u>114,455</u>
Capital and reserves			
Issued capital	18	36,151	36,151
Reserves		<u>50,734</u>	<u>77,994</u>
Equity attributable to owners of the Company			
Non-controlling interests		<u>(357)</u>	<u>310</u>
Total equity		<u>86,528</u>	<u>114,455</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Attributable to owners of the Company							
	Issued capital	Share premium	Share-based			Total	Non- controlling interests	Total
			Capital reserve	payment reserve	Accumulated losses			
			HK'000	HK'000	HK'000			
At 30 June 2016 and 1 July 2016 (audited)	36,151	375,223	(100)	10,271	(247,511)	174,034	1,657	175,691
Loss for the period	-	-	-	-	(27,903)	(27,903)	(757)	(28,660)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(27,903)	(27,903)	(757)	(28,660)
At 31 December 2016 (unaudited)	<u>36,151</u>	<u>375,223</u>	<u>(100)</u>	<u>10,271</u>	<u>(275,414)</u>	<u>146,131</u>	<u>900</u>	<u>147,031</u>
At 30 June 2017 and 1 July 2017 (audited)	36,151	375,223	(100)	10,271	(307,400)	114,145	310	114,455
Loss for the period	-	-	-	-	(27,260)	(27,260)	(667)	(27,927)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(27,260)	(27,260)	(667)	(27,927)
At 31 December 2017 (unaudited)	<u>36,151</u>	<u>375,223</u>	<u>(100)</u>	<u>10,271</u>	<u>(334,660)</u>	<u>86,885</u>	<u>(357)</u>	<u>86,528</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	For the six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(18,789)	(15,708)
Net cash generated from investing activities	8,180	7,360
Net cash generated from/(used in) financing activities	2,218	(68,353)
Net decrease in cash and cash equivalents	(8,391)	(76,701)
Cash and cash equivalents at 1 July	17,559	98,098
Cash and cash equivalents at 31 December	9,168	21,397
Represented by:		
Bank balances and cash	9,168	21,397

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

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 are principally involving in distribution of server storage, multi-media and communication products, money lending, investments in securities, distribution of rice cooker and household electrical appliances, distribution of sports cars as well as business of entertainment.

2. BASIS OF PREPARATION AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The unaudited condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of financial position for the six months ended 31 December 2017 (collectively, the "Interim Financial Statements") are presented in Hong Kong dollars ("HK\$" or "HKD"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except otherwise indicated.

The Interim Financial Statements have been approved for issue by the Board on 28 February 2018 and 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 2017. In the current interim period, the Group has applied, for the first time, the following amendments to the Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's Interim Financial Statements:

Amendments to HKFRSs	Annual Improvements HKFRs 2014-16 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above amendments to HKASs and HKFRSs in the current interim period has had no material impact on the Group's financial performance and position 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 2017

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, show performance income and interest income from money lending operations.

An analysis of revenue is as follows:

	For the six months ended 31 December	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Sales of goods	41,478	47,438
Show performance income	11,016	–
Interest income from money lending operations	1,483	2,553
	<hr/>	<hr/>
	53,977	49,991
	<hr/> <hr/>	<hr/> <hr/>

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 six 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;
- (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;
- (v) distribution of sports cars in Hong Kong and Mainland China; and
- (vi) business of entertainment in Hong Kong and Macau.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

During the period ended 31 December 2017, the Group commenced a new business of entertainment. Accordingly, no segment information was disclosed for prior period ended 31 December 2016.

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), unallocated 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.

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

- all assets are allocated to reportable segments other than unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than current tax liabilities and unallocated corporate liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment for the period:

	Segment revenue For the six months ended 31 December		Segment results For the six months ended 31 December	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Distribution of server storage, multi-media and communication products	41,478	41,438	(4,944)	(5,824)
Money lending	1,483	2,553	1,011	2,077
Entertainment	11,016	-	200	-
Distribution of sports car	-	6,000	(731)	327
Investment in securities	-	-	(2,795)	221
Distribution of rice cooker and household electrical appliances	-	-	-	-
Total segment revenue	<u>53,977</u>	<u>49,991</u>		
Total segment results			(7,259)	(3,199)
Interest income			3,036	3,132
Unallocated finance costs			(3,916)	(3,779)
Unallocated amortisation and depreciation			(1,955)	(1,250)
Unallocated staff costs			(10,880)	(11,539)
Unallocated corporate expenses			(6,953)	(12,025)
Loss before tax			<u>(27,927)</u>	<u>(28,660)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment for the period:

	As at	
	31 December	30 June
	2017	2017
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Segment assets		
Distribution of server storage, multi-media and communication products	11,891	25,224
Money lending	11,273	24,159
Entertainment	7,094	–
Distribution of sports car	14,176	15,132
Investment in securities	65,899	60,199
Distribution of rice cooker and household electrical appliances	20,000	20,000
Total segment assets	130,333	144,714
Unallocated corporate assets	58,771	76,312
Total assets	189,104	221,026

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	As at	
	31 December	30 June
	2017	2017
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Segment liabilities		
Distribution of server storage, multi-media and communication products	19,994	29,926
Money lending	22	18
Entertainment	-	-
Distribution of sports car	-	16
Investment in securities	17,373	13,695
Distribution of rice cooker and household electrical appliances	-	-
Total segment liabilities	37,389	43,655
Tax payable	442	662
Unallocated corporate liabilities	64,745	62,254
Total liabilities	102,576	106,571

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

	Depreciation and amortisation		Fair value (losses)/gain on investments at fair value through profit or loss, net				Finance costs		Capital expenditures		Artist	
			performance costs		Production costs							
	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			
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Distribution of server storage, multi-media and communication products	275	271	-	-	340	120	6	109	-	-	-	-
Money lending	11	11	-	-	-	-	-	-	-	-	-	-
Entertainment	-	-	-	-	-	-	-	-	6,073	-	3,131	-
Distribution of sports car	735	1,250	-	-	-	-	-	-	-	-	-	-
Investment in securities	-	-	(332)	1,515	938	490	-	-	-	-	-	-
Distribution of rice cooker and household electrical appliances	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated	1,955	2,576	-	-	3,916	3,779	45	-	-	-	-	-
Total	2,976	4,108	(332)	1,515	5,194	4,389	51	109	6,073	-	3,131	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

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 2017 and 2016 accounted for more than 10% of the total revenue of the Group are as follows:

	For the six months ended 31 December	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Customer A	18,115	19,449
Customer B*	2,865	8,446
Customer C	13,025	5,717

* The revenue for the six months ended 31 December 2017 did not contribute over 10% of the total revenue of the Group for the period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong and other parts of the PRC. Most of the segments are carried in Hong Kong and other parts of the PRC. 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 loans receivable is based on the physical location of the asset, in the case of property, plant and equipment and intangible assets, and the location of the operation to which they are allocated, in the case of deposit. 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 <i>(note)</i>	
	For the six months ended 31 December		As at	
	2017	2016	31 December 2017	30 June 2017
	(unaudited)	(unaudited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and other parts of the PRC (place of domicile)	48,876	49,991	25,134	28,058
Elsewhere	5,101	–	20,000	20,000
	<u>53,977</u>	<u>49,991</u>	<u>45,134</u>	<u>48,058</u>

Note: Non-current assets exclude loans receivable.

4. OTHER INCOME

	For the six months ended 31 December	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest income derived from:		
– bank deposits	64	52
– other loan receivable	2,972	3,069
	<u>3,036</u>	<u>3,121</u>
Others	58	70
	<u>3,094</u>	<u>3,191</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

5. STAFF COSTS

	For the six months ended 31 December	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Directors' emoluments	7,339	7,091
Other staff costs:		
Salaries, commission, bonus and other benefits	6,946	9,548
Retirement benefits scheme contributions	110	119
Total staff costs including directors' emoluments	14,395	16,758

6. FINANCE COSTS

	For the six months ended 31 December	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interests on other bank loans, bills and overdrafts	192	60
Discounting charge on factoring loans	146	60
Margin loan interest expenses	939	490
Other loan interest expenses	3,252	3,115
Bond interest expenses	665	664
	5,194	4,389

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting) the following:

	For the six months ended 31 December	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Fair value losses/(gains) on investments at fair value through profit or loss:		
– realised losses/(gains), net	189	(1,515)
– unrealised losses, net	143	–
	<u>332</u>	<u>(1,515)</u>
Cost of sales:		
– cost of inventories recognised as expenses in cost of sales	40,543	44,777
– artist performance costs	6,073	–
– production costs	3,131	–
	<u>49,747</u>	<u>44,777</u>
Depreciation	2,241	2,858
Amortisation	735	1,250
Operating lease rentals in respect of land and building	2,467	2,771
Legal, professional and consultancy expenses	427	793
	<u>427</u>	<u>793</u>

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax was made for the six months ended 31 December 2017 and 31 December 2016.

9. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31 December 2017 is based on the Group's loss attributable to owners of the Company of approximately HK\$27,260,000 (2016: HK\$27,903,000) and on approximately 3,615,146,000 (2016: 3,615,146,000) shares in issue during the period.

Diluted loss per share for the six months ended 31 December 2017 and 2016 were same as the basic loss per share for the respective periods as the outstanding share options of the Company had no diluted effect due to the fact that the average market price of ordinary shares during that periods did not exceed the exercise price of the share options.

10. INTERIM DIVIDENDS

No interim dividend was paid or proposed for the six months ended 31 December 2017 (2016: nil), nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

11. INTANGIBLE ASSETS

	Distribution rights in sport cars <i>HK\$'000</i> <i>(note (i))</i>	Money lender licence <i>HK\$'000</i> <i>(note (ii))</i>	Total <i>HK\$'000</i>
Cost			
At 30 June 2017 (audited), 1 July 2017 (audited) and 31 December 2017 (unaudited)	25,000	2,000	27,000
Accumulated amortisation and impairment			
At 1 July 2016 (audited)	3,958	–	3,958
Amortisation for the year	2,500	–	2,500
Impairment loss	7,642	–	7,642
At 30 June 2017 (audited) and 1 July 2017 (audited)	14,100	–	14,100
Amortisation for the period	735	–	735
At 31 December 2017 (unaudited)	14,835	–	14,835
Carrying amount			
At 31 December 2017 (unaudited)	<u>10,165</u>	<u>2,000</u>	<u>12,165</u>
At 30 June 2017 (audited)	<u>10,900</u>	<u>2,000</u>	<u>12,900</u>

Note:

- (i) On 5 November 2014, the Company signed a distribution agreement with a supplier, pursuant to which, the Company was appointed as an authorised distributor and granted the rights of distribution, marketing and service of sports car "Gumpert Apollo" for 10 years at a consideration of HK\$25,000,000. The distribution rights have finite useful lives and are amortised on a straight-line basis over 10 years but would be tested for impairment annually and whenever there is an indication that it may be impaired.
- (ii) Money lender licence (the "Licence") represented the only asset of an acquired subsidiary at the date of acquisition. The Licence is treated as having an indefinite useful life as, in the opinion of the directors of the Company, the Group has involved in money lending business immediately after the acquisition and expected that the money lending business could contribute net cash inflows to the Group indefinitely. Accordingly, the Licence would not be amortised and would be tested for impairment annually and whenever there is an indication that it may be impaired.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

12. LOANS RECEIVABLE

		As at	
		31 December	30 June
		2017	2017
		(unaudited)	(audited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Loans receivable arising from money lending business	(a)	9,131	18,201
Other loan receivable	(b)	19,005	24,413
		28,136	42,614
Less: amount classified as current portion		(9,131)	(18,201)
Amount classified as non-current portion		19,005	24,413

Note:

- (a) The loans receivable arising from the money lending business of the Group carry fixed rate interests at contractual rates at 18% per annum (30 June 2017: 15% to 24% per annum). Effective interest rate of the loans receivable is 20.1% per annum (30 June 2017: 22% to 34% 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 2017 and 30 June 2017, the Group did not hold any collateral or any credit enhancements over these loans receivable.

As at 31 December 2017 and 30 June 2017, loans receivable arising from the money lending business of the Group was neither past due nor impaired and related to a number of borrowers for whom there was no recent history of default, or the default had been rectified during the period. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

12. LOANS RECEIVABLE (Continued)

Note: (Continued)

- (b) Pursuant to a loan agreement entered between the Company and 廣州市水立坊公共浴室有限公司 ("ShuiLiFang") on 26 September 2014, the Company agreed to grant a loan in the principal amount of RMB21,000,000 ("ShuiLiFang Loan"). The outstanding balance of approximately RMB15,661,000 at 31 December 2017 (30 June 2017: RMB21,000,000) was equivalent to approximately HK\$19,005,000 (30 June 2017: HK\$24,413,000). ShuiLiFang Loan carries fixed interest rate of 25% per annum with tenure of 5 years to 25 September 2019. Interest on the outstanding principal is payable half yearly. ShuiLiFang Loan is secured by a corporate guarantee granted by an independent third party and personal guarantees executed by individual shareholders of ShuiLiFang. There is no collateral or other credit enhancement over the balance.

The aggregate outstanding balance with ShuiLiFang at 31 December 2017 and 30 June 2017 is as follows:

	As at	
	31 December	30 June
	2017	2017
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Loan receivable	19,005	24,413
Interest receivable	1,426	1,622
	20,431	26,035

As at 31 December 2017, ShuiLiFang Loan was neither past due nor impaired.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

13. PREPAYMENTS, DEPOSITS, INTEREST AND OTHER RECEIVABLES

		As at	
		31 December	30 June
		2017	2017
		(unaudited)	(audited)
Note		HK\$'000	HK\$'000
		2,524	2,289
Rental deposits			
Deposit paid to secure an agency agreement	(a)	20,000	20,000
Purchase deposits		4,000	4,000
Refundable deposit paid for proposed acquisition	(b)	5,000	–
Other loan interest receivable (<i>note 12(b)</i>)		1,426	1,622
Production cost of an entertainment show recoverable		4,635	–
Others		1,555	1,566
		39,140	29,477
Less: amount classified as current portion		(19,140)	(9,477)
		20,000	20,000
Amount classified as non-current		20,000	20,000

Note:

- (a) As at 31 December 2017, the amount represented a deposit of HK\$20,000,000 (30 June 2017: HK\$20,000,000) placed by the Company to secure an agency agreement entered into between the Company and a supplier on 18 November 2013 for an initial term of 3 years commencing from the date of signing of the agency agreement, which was extended for another 3 years by an extension agreement dated 16 November 2016 with other terms unchanged. Pursuant to the agency agreement, the Company or its subsidiaries were appointed by a supplier as an exclusive sales agent of the supplier for the distribution of the supplier's rice cookers and household electrical appliances in the regions including Southeast Asia, the Middle East, Africa and South America and the security deposit could be refunded in full without interest to the Company after the termination of the agency agreement.

Management considered that no impairment should be made on the deposit as the amount could be fully refunded at the end of the terms and the supplier has adequate financial capability to refund.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

13. PREPAYMENTS, DEPOSITS, INTEREST AND OTHER RECEIVABLES (Continued)

Note: (Continued)

- (b) As at 31 December 2017, the amount represented the refundable deposits paid for proposed acquisition of the entire equity interest in a target company.

14. TRADE RECEIVABLES

	As at	
	31 December 2017 (unaudited) HK\$'000	30 June 2017 (audited) HK\$'000
Trade receivables	<u>9,380</u>	<u>14,932</u>

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. 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 (30 June 2017: 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 generally 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 2017 (unaudited) HK\$'000	30 June 2017 (audited) HK\$'000
0 – 30 days	3,194	8,541
31 – 60 days	2,178	1,333
Over 60 days	4,008	5,058
	<u>9,380</u>	<u>14,932</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

14. TRADE RECEIVABLES (Continued)

Most of the trade receivables are neither past due nor impaired and have good repayment history in prior years. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,313,000 (30 June 2017: HK\$4,865,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

	As at	
	31 December 2017 (unaudited) HK\$'000	30 June 2017 (audited) HK\$'000
Less than 1 month past due	1,313	1,605
1 to 3 months past due	-	3,260
	<u>1,313</u>	<u>4,865</u>

The trade receivables that were past due but not impaired relate to customers that have good track records with the Group. Management 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. A substantial amount of which has been received after the end of the reporting period.

At 31 December 2017, trade receivables with an aggregate carrying amount of HK\$4,602,000 (30 June 2017: HK\$7,497,000) had been charged to secure the general banking facilities of the Company.

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	31 December 2017 (unaudited) HK\$'000	30 June 2017 (audited) HK\$'000
Current assets		
Held-for-trading listed equity investments, at fair value, listed in Hong Kong	<u>65,675</u>	<u>59,277</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

As at 31 December 2017 and 30 June 2017, the listed equity investments are held for trading and are classified as financial assets at fair value through profit or loss. The fair values of the listed equity investments listed in Hong Kong were determined by quoted bid prices in an active market.

The particulars of the Group's major listed equity investment are as follows:

Name of investee	Stock code	Fair value as	Percentage of	Percentage to
		at 31 December 2017	held-for-trading investment as at 31 December 2017	the Group's total assets as at 31 December 2017
		HK\$'000	%	%
Yi Hua Holdings Limited	2213	37,172	56.60	19.66
Hong Wei (Asia) Holdings Company Limited	8191	12,767	19.44	6.75
Sparkle Roll Group Limited	0970	8,400	12.79	4.44
CCT Land Holdings Limited	0261	3,514	5.35	1.86
China Gas Holdings Limited	0384	2,333	3.55	1.23
China Polymetallic Mining Limited	2133	1,336	2.03	0.71
Others		153	0.24	0.08
		<u>65,675</u>	<u>100.00</u>	<u>34.73</u>

At 31 December 2017, the Group's listed equity investments with aggregate amount of HK\$65,675,000 (30 June 2017: HK\$59,277,000) were pledged to securities brokerage firms to secure the margin financing facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

16. TRADE PAYABLES

All of the trade payables are expected to be settled within one year. An ageing analysis, based on invoice date, is as follows:

	As at	
	31 December	30 June
	2017	2017
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	575	11,613
31 – 60 days	3,358	4,535
Over 60 days	28	28
	<u>3,961</u>	<u>16,176</u>

17. BORROWINGS

		As at	
		31 December	30 June
		2017	2017
		(unaudited)	(audited)
	<i>Note</i>	HK\$'000	HK\$'000
Bank overdraft, secured		-	983
Bank borrowings, secured:			
Factoring loan	(a)	5,408	6,766
Other bank borrowings	(a)	4,984	3,825
Margin loan payable, secured	(b)	17,373	13,679
Other loans	(c)	44,152	39,582
Bonds, unsecured	(d)	20,214	20,849
		<u>92,131</u>	<u>85,684</u>
Less: amount classified as current liabilities		<u>(71,917)</u>	<u>(64,835)</u>
Amount classified as non-current liabilities		<u>20,214</u>	<u>20,849</u>
Secured and guaranteed		14,711	11,574
Secured but unguaranteed		37,374	33,669
Unsecured but guaranteed		19,832	19,592
Unsecured and unguaranteed		20,214	20,849
		<u>92,131</u>	<u>85,684</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

17. BORROWINGS (Continued)

Bank overdraft, bank borrowings, margin loan payable and other loans are repayable either on demand or within a period of not exceeding one year. The bonds, based on the maturity terms, are repayable:

	As at	
	31 December	30 June
	2017	2017
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Within one year	-	-
Within a period of more than one year but not exceeding five years	10,194	10,539
Within a period of more than five years	10,020	10,310
	<u>20,214</u>	<u>20,849</u>

Except for the bank borrowings which are denominated in United States dollars ("USD"), all other borrowings were denominated in HKD at 31 December 2017 and 30 June 2017.

Note:

(a) Bank borrowings, secured

Factoring loan is variable-rate borrowings which carry interest at 1% below standard bill rates quoted by bank and the effective interest rate was 4.3% (30 June 2017: 3.9%) per annum as at 31 December 2017. Other bank borrowings represent trust receipt loans which are variable-rate borrowings and their effective interest rate was 4.4% (30 June 2017: 4.0%) per annum as at 31 December 2016. Factoring loan is secured by trade receivables amounting to approximately HK\$4,602,000 (30 June 2017: HK\$7,497,000) (note 14). In addition, a fixed deposit is placed by the Company with a bank to secure general banking facilities of the Group and the Company has executed a corporate guarantee to secure banking facilities granted to the Group.

(b) Margin loan payable, secured

Margin loan payable is variable-rate borrowings with effective interest rates ranging from 7.3% to 15% (30 June 2017: 7.3% to 15%) and is secured by the Group's listed equity investments with aggregate carrying amounts of approximately HK\$65,675,000 (30 June 2017: HK\$59,277,000) (note 15).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

17. BORROWINGS (Continued)

Note: (Continued)

(c) Other loans

As at 31 December 2017, other loans of approximately HK\$20,000,000 (30 June 2017: HK\$19,990,000) were secured by 417,380,000 shares of the Company, of which 324,380,000 shares are held by Mr. Ke Jun Xiang, the chairman and executive director of the Company, and 93,000,000 shares are held by Mr. Wilson Wong, the deputy chairman and executive director of the Company. Other loans of approximately HK\$19,832,000 (30 June 2017: HK\$19,592,000) were secured by personal guarantees executed by Mr. Ke Jun Xiang. Other loans of approximately HK\$4,320,000 (30 June 2017: nil), which repayment is on demand, are secured by the yacht of the Company with carrying amounts of approximately HK\$6,534,000.

As at 31 December 2017, the other loans were fixed-rate borrowings with contractual interest rate ranging from 12% to 18% per annum (30 June 2017: 12% to 18% per annum) for original terms, except as specified above, of 12 months (30 June 2017: 6.5 months to 12 months) from the date of advancement. The effective interest rate of the other loan range from 12% to 20.2% per annum (30 June 2017: 15.8% to 20.2% per annum).

(d) Bonds, unsecured

	As at	
	31 December	30 June
	2017	2017
	(unaudited)	(audited)
	HK\$'000	HK\$'000
At beginning of period/year	20,849	40,832
Interest charged calculated at an effective interest rate (note 6)	665	1,317
Repayment during the period/year	(1,300)	(21,300)
At end of period/year	20,214	20,849

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

17. BORROWINGS (Continued)

Note: (Continued)

(d) Bonds, unsecured (Continued)

- (i) On 1 September 2014, the Company and a placing agent entered into a bond placing agreement, pursuant to which the placing agent agreed to procure placees to subscribe for 7-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, the Company issued a straight bond with principal amount of HK\$10,000,000 to a placee.
- (ii) On 5 November 2014, the Company and a placing agent entered into a bond placing agreement, pursuant to which the placing agent agreed to procure placees to subscribe for 8-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, the Company issued a straight bond with principal amount of HK\$10,000,000 to a placee.

18. SHARE CAPITAL

	No. of ordinary shares of HK\$0.01 each <i>'000</i>	Nominal value <i>HK\$'000</i>
Authorised:		
At 1 July 2016, 30 June 2017 and 31 December 2017	<u>60,000,000</u>	<u>600,000</u>
Issued and fully paid:		
At 1 July 2016, 30 June 2017 and 31 December 2017	<u>3,615,146</u>	<u>36,151</u>

On 22 December 2017, the Company and a placing agent entered into a place agreement to place, on a best effort basis, up to 720,000,000 placing shares of HK\$0.1 per placing share. On 12 January 2018, a total of 720,000,000 placing shares was successfully placed and completed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

19. COMMITMENTS

(a) Operating lease commitments

Minimum lease payments paid under operating leases in respect of land and buildings excluding director's quarter during the period amounting to approximately HK\$883,000 (2016: HK\$2,420,000).

At the end of the reporting period, the Group had commitments for future minimum lease under non-cancellable operating leases in respect of land and buildings including director's quarter which fall due as follows:

	As at	
	31 December	30 June
	2017	2017
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Not later than one year	5,212	5,595
Later than one year and not later than five years	372	2,340
	<u>5,584</u>	<u>7,935</u>

Operating lease payment represents rentals payable by the Group for certain of its office premises and director's quarter with remaining lease terms of between 5 to 20 months (2016: 3 to 24 months) and rentals are fixed throughout the lease periods. The Group does not have an option to purchase the leased assets at the expiry of the lease periods.

(b) Capital commitments

	As at	
	31 December	30 June
	2017	2017
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Capital commitment in respect of a proposed acquisition of a target company not yet provided in the condensed consolidated financial statement	2,034	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

19. COMMITMENTS (Continued)

(b) Capital commitments (Continued)

On 20 November 2017, the Company entered into a memorandum of understanding (the "MOU") with a vendor for the proposed acquisition of entire share capital of a target company, Rui Hua Properties Development Limited ("Rui Hua") at a consideration of RMB100,000,000. Rui Hua was incorporated in British Virgin Islands, which, through its subsidiary, is principally engaged into hotel operation management in a hotel situated in Gaoyou City of Jiangsu Province of the PRC. Pursuant to the MOU, the Company shall deposit within 5 business days from the date of MOU a refundable deposit of HK\$5,000,000 to the vendor. In the event that within a period of 60 days from the date of the MOU (or such other date as the parties may agree in writing), (i) the vendor and the Company have not entered into a definitive sale and purchase agreement; or (ii) after receipt of a written notice by the Company notifying that it does not satisfy with the due diligence review on Rui Hua, the MOU will be terminated. The deposit shall then be refunded to the Company in full within 30 days following the termination of the MOU. On 23 January 2018, the Company and the vendor entered into a supplemental MOU to extend the 60 days' period from the date of MOU for entering into a definitive agreement to 31 March 2018 and the Company shall have the exclusive rights to negotiate the proposed acquisition with the vendor and the vendor is restricted from soliciting the sale of, or disposing of, the shares of Rui Hua and its subsidiaries with/to any third parties by 31 March 2018. Details are set out in the Company's announcements dated 20 November 2017 and 23 January 2018.

20. PLEDGE OF ASSETS

As at 31 December 2017, the banking facilities of the Group were secured by the fixed deposit of the Company amounting to approximately HK\$10,000,000 (30 June 2016: HK\$20,000,000), fixed charge over trade receivables of the Group with an aggregate carrying amount of HK\$4,602,000 (30 June 2017: 7,497,000) and a corporate guarantee executed by the Company.

As at 31 December 2017, the Group's margin loans were secured by the Group's listed equity investments with aggregate amount of approximately HK\$65,675,000 (30 June 2017: HK\$59,227,000).

In addition, other loans of approximately HK\$4,320,000 (30 June 2017: nil), which repayment is on demand, are secured by the yacht of the Company with carrying amounts of approximately HK\$6,534,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

21. 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	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	8,827	10,797
Post-employment benefits	62	64
	8,889	10,861

(b) Other material transactions with related and connected persons

During the period, the Group entered into the following material transactions with directors of the Company:

	For the six months ended 31 December	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Principal amount of the Group's other loans which are secured by the Company's shares held by:		
– personal guarantee executed by Mr. Ke Jun Xiang	20,000	20,000
– The Company's shares held by Mr. Ke Jun Xiang and Mr. Wilson Wong (note 17(c))	20,000	20,000

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

The transactions set out in note (b) above are exempted 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 Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the interim period ended 31 December 2017, the Group has entered into the following transactions:

- (a) On 12 January 2018, the Company completed the placement of 720,000,000 placing shares at placing price of HK\$0.1 per each placing share. Details are set out in the Company's announcements dated 22 December 2017 and 12 January 2018.
- (b) On 23 January 2018, the Company entered into a supplemental MOU in relation to a proposed acquisition as explained in note 19(b) above. Details are set out in the Company's announcements dated 20 November 2017 and dated 23 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

During the six months ended 31 December 2017, the Group's total consolidated revenue increased from approximately HK\$49,991,000 in the same period in previous year to approximately HK\$53,977,000 in this period under review, representing an increase of 7.97%.

Such increase was mainly due to commencement of a new business in entertainment in the period which contributed approximately HK\$11,016,000, or 20.41% to the total. Revenue from the Group's core business of distribution of server storage, multi-media and communication products amounting to approximately HK\$41,478,000 (2016: HK\$41,438,000) accounted for 76.84% (2016: 82.89%) of the total revenue, which was comparable to that of the corresponding period in previous year. However, income generated from money lending operation dropped to approximately HK\$1,483,000 (2016: HK\$2,553,000) which accounted for only 2.75% (2016: 5.11%) of the total revenue. The pace of development in the two other business segments relating to distribution of sports car and distribution of rice cooker and household electrical appliances in Southeast Asia were behind schedule. Neither of them provided any revenue contribution during the period. Owing to the rise in cost of sales, the Group recorded an overall gross profit of approximately HK\$4,230,000 as compared to approximately HK\$5,214,000 in the corresponding period of last year, representing a decrease of 18.87% as the gross profit ratio had declined to 7.84% (2016: 10.43%).

The Group recorded other income of approximately HK\$3,094,000 (2016: HK\$3,191,000) which mainly comprised interest income deriving from bank deposits and other loan receivable as well as dividend income from held-for-trading investments.

During the period under review, the Group continued to engage in investment in listed securities in Hong Kong. A net loss of approximately HK\$332,000 on such financial assets was recorded due to the volatility of the stock market (2016: net gain of HK\$1,515,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs incurred for the six months ended 31 December 2017 amounted to approximately HK\$14,395,000 (2016: HK\$16,758,000). Other expenses increased to approximately HK\$9,887,000 (2016: HK\$10,544,000) which comprised selling and distribution expenses of approximately HK\$677,000 (2016: 168,000), and other administrative expenses of approximately HK\$9,210,000 (2016: 10,386,000). Finance costs for the period raised 18.34% to approximately HK\$5,194,000 (2016: HK\$4,389,000) which was mainly composed of interest expenses on bank borrowings, margin loan, bonds and other loans.

The Group recorded a loss attributable to owners of the Company of approximately HK\$27,260,000 for the six months ended 31 December 2017 (2016: HK\$27,903,000) and basic loss per share for the period was 0.75 HK cents (2016: 0.77 HK cents). The drop in performance was mainly due to the decrease in gross profit.

Business review

Distribution of server storage, multi-media and communication products

During the six months ended 31 December 2017, we continued facing challenges in this business segment arising from keen competition in the market and also from the decreasing demand for traditional server storage hardware from customers as a result of the growing popularity of public cloud storage-as-a-service. The loss arising from this segment for the period was approximately HK\$4,944,000 (2016: HK\$5,824,000).

Despite of the tough market situation, we strive to continue providing our customers with the best quality of products and services by incorporating a broad range of enterprise management technologies and processes to achieve a high degree of software-hardware integration.

MANAGEMENT DISCUSSION AND ANALYSIS

Money lending

The Group's money lending business slowed down during the period and generated a profit of approximately HK\$1,011,000 (2016: HK\$2,077,000). According to the management's observation and taking into account the positive results of the money lending business, the Group believes that there is a constant demand in the market allowing a rebound of this business segment and is confident that it will continue to contribute positively to the Group's overall results. As the business is capital-driven in nature, the Group will constantly assess the level of resources to be allocated to this business segment with reference to the availability of capital. In the meantime, we will closely monitor the market conditions and operating environment in order to strike a balance between the returns and the associated business risks.

Investment in securities

During the period, the Group's operation in securities investment continued to focus on listed securities in Hong Kong. Due to the relatively volatile market condition, a loss of approximately HK\$2,795,000 was recorded (2016: profit of HK\$221,000).

The Group will carefully study the local stock market and adopt an approach which objective is to hold a diversified portfolio across different segments of the market with a view to achieving a reasonable return at an acceptable risk level. Research on the business and financial information of the prospective investee will be carried out before any purchase of securities. The Group tends to maintain the current portfolio size but as the source of finance for this segment is from the idle funds available from time to time, it may have to be reduced gradually once there is a need to deploy financial resources for meeting other operational requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Entertainment

The growing momentum of the entertainment industry in the Greater China Region is robust in recent years. A new subsidiary of the Group was set up in July 2017 focusing on collaboration with business partners in the production of musical live shows. As our first project, we took part as co-producer of the 2017 World Tour “White Night” performed by Taeyang, Korea’s top solo artist and main vocalist of the most popular K-pop group “Bigbang”, in the Hong Kong and Macau stops on 24 September 2017 and 21 October 2017 respectively. A gain of approximately HK\$200,000 was earned for the period.

Distribution of sports car

In November 2014, the Group acquired a ten-year rights of distribution, marketing and servicing of sports car “Gumpert Apollo” in five designated cities in the PRC. However the timeline for launching a new car model by the manufacturer is still behind schedule which affects our marketing plan. No sales was recorded for the period and a loss of approximately HK\$731,000 mainly representing amortisation of the intangible asset in respect of the distribution rights was incurred.

Distribution of rick cooker and household electrical appliances

There was no major progress in this segment during the period as we are still in the course of identifying a suitable business partner for the distribution business in Southeast Asia. The management will monitor the project closely and revise our business strategy to meet the latest market condition when required.

Liquidity and capital resources

As at 31 December 2017, the Group had net assets of approximately HK\$86,528,000 (30 June 2017: HK\$114,455,000), comprising total assets of approximately HK\$189,104,000 (30 June 2017: HK\$221,026,000) and total liabilities of approximately HK\$102,576,000 (30 June 2017: HK\$106,571,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Total assets included total non-current assets of approximately HK\$64,139,000 (30 June 2017: HK\$72,471,000) and total current assets of approximately HK\$124,965,000 (30 June 2017: HK\$148,555,000). Decrease in non-current assets was mainly due to depreciation and amortisation charged during the period as well as reduction in total loans receivable to approximately HK\$28,136,000 (30 June 2017: HK\$42,614,000), in which the amount classified as non-current portion was approximately HK\$19,005,000 (30 June 2017: HK\$24,413,000).

The current portion of loans receivable also reduced to approximately HK\$9,131,000 as at 31 December 2017 (30 June 2017: HK\$18,201,000) and the other factors ascribed to the drop in current assets were: (i) reduction in pledged fixed deposit as well bank balances and cash to approximately HK\$10,000,000 (30 June 2017: HK\$20,000,000) and HK\$9,168,000 (30 June 2017: HK\$18,542,000) respectively; (ii) reduction in inventories to approximately HK\$2,471,000 (30 June 2017: HK\$8,126,000) and (iii) decrease of trade receivables to approximately HK\$9,380,000 (30 June 2017: HK\$14,932,000), notwithstanding that prepayments, deposits, interest and other receivables as well as investments at fair value through profit or loss had increased during the period to approximately HK\$19,140,000 (30 June 2017: HK\$9,477,000) and approximately HK\$65,675,000 (30 June 2017: HK\$59,277,000) respectively.

Total liabilities as at 30 June 2017 comprised non-current liabilities of approximately HK\$20,214,000 (2016: HK\$20,849,000) represented wholly by outstanding bonds and current liabilities of approximately HK\$82,362,000 (30 June 2017: HK\$85,722,000). Current liabilities mainly consisted of accruals, deposits received and other payables of approximately HK\$6,042,000 (30 June 2017: HK\$4,049,000), total bank borrowings of approximately HK\$10,392,000 (30 June 2017: HK\$10,591,000), margin loan payable of approximately HK\$17,373,000 (30 June 2017: HK\$13,679,000) and other loans payable of approximately HK\$44,152,000 (30 June 2017: HK\$39,582,000). Despite there was notable addition to the margin loan and other loans payable during the period, their aggregate effect of increase on current liabilities was more than offset by the significant reduction of trade payables to approximately HK\$3,961,000 (30 June 2017: HK\$16,176,000.)

MANAGEMENT DISCUSSION AND ANALYSIS

Total cash resources of the Group consisting of pledged fixed deposit as well as bank balances and cash as at 31 December 2017 was approximately HK\$19,168,000 (30 June 2017: HK\$38,542,000). They were denominated in HKD, Great British Pound ("GBP") and Chinese Renminbi ("RMB"). The balance had diminished mainly because of the funds used up in the current operating activities and also the additional financial resource was needed to support the new business of entertainment.

The current ratio, representing by current assets divided by current liabilities, declined to 1.52 (30 June 2017: 1.73).

As at 31 December 2017, the aggregate amount of bank overdraft, bank borrowings, margin loan payable and other loans of approximately HK\$71,917,000 (30 June 2017: HK\$64,835,000) were denominated in HKD and USD, and were subject to interest at prevailing commercial lending rates. Together with the outstanding bonds of approximately HK\$20,214,000 (30 June 2017: HK\$20,849,000), which were denominated in HKD, total borrowings amounted to approximately HK\$92,131,000 (30 June 2017: HK\$85,684,000). The gearing ratio, measuring as the total borrowings over total equity of approximately HK\$86,528,000 (30 June 2017: HK\$114,455,000), rose to 1.06 (30 June 2017: 0.75).

In order to improve the Group's capital structure and to enhance its financial resources, the Company entered into an agreement on 22 December 2017 with an agent to place, on a best effort basis, up to 720,000,000 shares of the Company to independent placees at the price of HK\$0.1 per share. On 12 January 2018, a total of 720,000,000 shares was successfully placed and completed. The net proceeds from the placing, after deducting placing commission and other fees and expenses, was approximately HK\$69,120,000. The amount was intended to be used for repayment of the existing loans and for the general working capital of the Group.

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

Outlook

Looking forward, our Group will continue to devote the best efforts in keeping the development of our existing businesses on a steady pace. Meanwhile, we are actively looking for new investment and growth opportunities through a strategy of business diversification. On 20 November 2017, the Company entered into a non-legally binding memorandum of understanding with a potential vendor in relation to a proposed acquisition of the entire equity interest in a target company which is the ultimate owner of Gaoyou California Sunshine Hotel in Mainland China. A definitive sale and purchase agreement will be signed subject to details of the proposed acquisition are finalised.

As there is growing importance to the development of the Guangdong-Hong Kong-Macau Greater Bay Area, we expect a lot of business opportunities in the region will be opened up and feel confident of our growth and development in the near future.

Treasury policies

The Group's monetary assets and transactions are principally denominated in HKD, RMB, GBP 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 GBP and currently does not have any hedging policy against RMB and GBP. However, the management is monitoring the Group's currency risk exposure closely and will consider hedging significant currency risk exposure should the need arise.

As at 31 December 2017, the Group's bank borrowings were based on floating interest rates which are stabilised at a low level because the banks in Hong Kong have sufficient capital and strong liquidity and there is no urgent need to increase the interest rates currently. Although the Group does not have any hedging measures against such interest rate risks, we will continue to closely monitor the risks arising from such interest rate movements. When interest rate rises, hedging instruments will be used in due course against the interest rate risks caused by HKD-denominated borrowings which are based on floating interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

Other than operating lease commitments in respect of land and buildings amounting to approximately HK\$5,584,000 (30 June 2017: HK\$7,935,000), the Group had capital commitment of approximately HK\$2,034,000 as at 31 December 2017 (30 June 2017: nil).

Material acquisitions and disposals

Saved as the proposed acquisition mentioned in the section "Outlook" above, the Group had no material acquisitions and disposals of subsidiaries during the six months ended 31 December 2017.

Employees and remuneration policy

The Group had 41 employees as at 31 December 2017 (30 June 2017: 44). They were remunerated according to the prevailing manpower conditions and individual performance. There was no change on the staff policy during the six months ended 31 December 2017. During the six months ended 31 December 2017, the staff cost (including directors' remunerations) amounted to approximately HK\$14,395,000 (2016: HK\$16,758,000). 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. There were 74,000,000 share options outstanding under the share option scheme as at 31 December 2017 (30 June 2017: 78,000,000).

Contingent liabilities

The Group has no contingent liabilities as at 31 December 2017.

SUPPLEMENTARY INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY

As at 31 December 2017, 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 2017				Total	Approximate percentage of issued share capital
			Personal/beneficial interest	Corporate interest	Family interest	Other interest		
Mr. Ke Jun Xiang	1, 3	12,000,000	619,420,000	132,400,000	125,840,000	—	889,660,000	24.61%
Mr. Wilson Wong	3	—	98,000,000	—	—	—	98,000,000	2.71%
Ms. Lo Yuen Chung	2	7,000,000	—	—	—	—	7,000,000	0.19%
Mr. Chow Yeung Tuen, Richard	2	7,000,000	—	—	—	—	7,000,000	0.19%
Mr. Li Chung Kai, Philip	2	5,000,000	—	—	—	—	5,000,000	0.14%
Mr. Kwok Yam Sheung	2	9,000,000	1	—	—	—	9,000,001	0.25%
Mr. Chan Siu Kay	2	9,000,000	—	—	—	—	9,000,000	0.25%

SUPPLEMENTARY INFORMATION

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 619,420,000 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 889,660,000 ordinary shares of the Company.

Mr. Ke has charged the 80,000,000 ordinary shares 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.
- Mr. Ke has charged 324,380,000 ordinary shares of the Company and Mr. Wilson Wong has charged 93,000,000 ordinary shares of the Company to secure the Company's other loan with principal amount of HK\$20,000,000.

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 2017				Total	Approximate percentage of issued share capital
		Personal/ beneficial interest	Corporate interest	Family interest	Other interest		
Mr. Ke Jun Xiang (note)	12,000,000	—	—	—	—	12,000,000	0.33%

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.

SUPPLEMENTARY INFORMATION

Save as disclosed herein, as at 31 December 2017, 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 "Director's and Chief Executive's Interests, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company" 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 its specified undertakings or other associated corporation. 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2017, 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:

SUPPLEMENTARY INFORMATION

Long position in the shares and underlying shares of the Company

Name of shareholder	Number of ordinary shares held as 31 December 2017						Approximate percentage of issued share capital
	Number of underlying shares of The Company	Personal/				Total	
		Beneficial Interest	Corporate interest	Family interest	Other interests		
Ms. Wang Jian Ping (<i>note</i>)	12,000,000	-	125,840,000	751,820,000	-	889,660,000	24.61%
Han Shuai	-	234,560,000	-	-	-	234,560,000	6.49%
Zhao Xiaohua	-	247,480,000	-	-	-	247,480,000	6.85%

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 619,420,000 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 889,660,000 ordinary shares of the Company.

Mr. Ke has charged the 80,000,000 ordinary shares 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 62,920,000 and 62,920,000 ordinary shares of the Company held by State Thrive Limited and Shine Fill Limited respectively to Ever Asset Limited as security.

Mr. Ke has also charged 324,380,000 ordinary shares of the Company to secure the Company's other loan with principal amount of HK\$20,000,000.

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 2017				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	0.33%

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 2017, the Company had not been 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 2017 are set out below:

Category of participants	Date of grant	Exercise Period	Exercise price	Outstanding balance at 1 July 2017	Granted during the six months ended 31 December 2017	Forfeiture during the six months ended 31 December 2017	Outstanding balance at 31 December 2017
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
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	-	(2,000,000)	6,000,000
	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	12,000,000	-	(2,000,000)	12,000,000
				78,000,000	-	(4,000,000)	74,000,000
				78,000,000	-	(4,000,000)	74,000,000

SUPPLEMENTARY INFORMATION

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 2017.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda in relation to issues of new shares by the Company.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The 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 had complied with the CG Code during the period ended 31 December 2017, 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 August 2014 due to the resignation of the former CEO from the position. A new CEO will be appointed when a suitable candidate is identified by the Board.

SUPPLEMENTARY INFORMATION

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 2017. The Model Code also applies to the senior management of the Group.

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 2017 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, 28 February 2018