



**CIL HOLDINGS LIMITED**

**華建控股有限公司**

(Incorporated in Bermuda with limited liability)

Stock code: 00479

**INTERIM REPORT 2019/20**

# CONTENTS

Corporate Information	2
Financial Information	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	44
Supplementary Information	52

## CORPORATE INFORMATION

### DIRECTORS

- Mr. Ke Jun Xiang  
*(Chairman & Chief Executive Officer)*
- Mr. Wilson Wong *(Deputy Chairman)*
- Ms. Lo Yuen Chung
- Mr. Fu Daoding
- Mr. Chow Yeung Tuen, Richard\*
- Mr. Li Chung Kai, Philip\*
- Mr. Chan Siu Kay\*\*
- Mr. Choi Chin Yu\*\*
- Dr. Chow Ho Wan, Owen\*\*  
*(Appointed on 30 September 2019)*

\* 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

Dah Sing Bank 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 54, 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](http://www.cil479.com.hk)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 31 December 2019*

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 2019 as follows:

			<b>For the six months ended 31 December 2019</b>	2018
			<b>(unaudited)</b>	(unaudited)
	Note		<b>HK\$'000</b>	HK\$'000
<b>Continuing operations:</b>				
Revenue:				
Revenue from contracts with customers			<b>29,783</b>	65,711
Interest revenue			<b>1,202</b>	1,483
			<b>30,985</b>	67,194
Total revenue	4		<b>30,985</b>	67,194
Cost of goods sold	10		<b>(29,202)</b>	(65,250)
			<b>1,783</b>	1,944
Gross profit			<b>1,783</b>	1,944
Other income	5		<b>2,062</b>	3,151
Other gains	6		<b>4,903</b>	972
Reversal of impairment losses, net	7		<b>1,126</b>	3,000
Fair value gains/(losses) on investments				
at fair value through profit or loss, net	10		<b>88</b>	(14,437)
Staff costs	8		<b>(8,000)</b>	(9,833)
Depreciation	10		<b>(2,059)</b>	(2,037)
Operating lease expenses	10		<b>(453)</b>	(2,458)
Other expenses			<b>(5,808)</b>	(7,271)
Finance costs	9		<b>(7,084)</b>	(5,809)
			<b>(13,442)</b>	(32,778)
<b>Loss before taxation</b>	10		<b>(13,442)</b>	(32,778)
<b>Income tax expenses</b>	11		<b>(3)</b>	(29)
			<b>(13,445)</b>	(32,807)
<b>Loss for the period from continuing operations</b>			<b>(13,445)</b>	(32,807)
<b>Discontinued operation:</b>				
Loss for the period from discontinued operation			-	(368)
			<b>(13,445)</b>	(33,175)
<b>Loss for the period</b>			<b>(13,445)</b>	(33,175)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
Note	<b>HK\$'000</b>	HK\$'000
<b>Other comprehensive loss for the period:</b>		
Items may be classified subsequently to profit or loss:		
Exchange differences arising from translation to operations outside Hong Kong	(40)	(77)
	<u>(40)</u>	<u>(77)</u>
<b>Total comprehensive loss for the period</b>	<b>(13,485)</b>	<b>(33,252)</b>
	<u><b>(13,485)</b></u>	<u><b>(33,252)</b></u>
<b>Loss for the period attributable to owners of the Company:</b>		
– continuing operations	(13,352)	(32,446)
– discontinued operation	-	(368)
	<u>(13,352)</u>	<u>(32,814)</u>
<b>Loss for the period attributable to non-controlling interests:</b>		
– continuing operations	(93)	(361)
	<u>(93)</u>	<u>(361)</u>
<b>Total comprehensive loss for the period attributable to Owners of the Company:</b>		
– continuing operations	(13,392)	(32,523)
– discontinued operation	-	(368)
	<u>(13,392)</u>	<u>(32,891)</u>
<b>Total comprehensive loss for the period attributable to non-controlling interests:</b>		
– continuing operations	(93)	(361)
	<u>(93)</u>	<u>(361)</u>
<b>Loss per share for loss attributable to owners of the Company:</b>		
– Basic and diluted:	12	
– continuing operations (in HK cents)	(0.30)	(0.75)
– discontinued operation (in HK cents)	-	(0.01)
	<u>(0.30)</u>	<u>(0.76)</u>

Details of interim dividend payable to owners of the Company are set out in note 13.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

						<b>As at</b>		
						<b>31 December</b>	30 June	
						<b>2019</b>	2019	
						<b>(unaudited)</b>	(audited)	
	<i>Note</i>					<b>HK\$'000</b>	HK\$'000	
<b>Non-current assets</b>								
Property, plant and equipment						<b>5,832</b>	7,557	
Right-of-use assets						<b>974</b>	–	
						<b>6,806</b>	7,557	
<b>Current assets</b>								
Inventories						<b>24</b>	24	
Loans receivable		14				<b>30,037</b>	29,597	
Prepayments, deposits, interest and other receivables			15			<b>27,149</b>	41,450	
Trade receivables			16			<b>27,206</b>	63,699	
Investments at fair value through profit or loss			17			<b>26,004</b>	19,065	
Tax recoverable						<b>115</b>	115	
Bank balances and cash						<b>738</b>	702	
						<b>111,273</b>	154,652	
<b>Current liabilities</b>								
Trade payables			18			<b>27,978</b>	64,734	
Accruals, interest and other payables			19			<b>13,081</b>	10,978	
Lease liabilities						<b>986</b>	–	
Borrowings, due within one year			20			<b>55,990</b>	66,439	
						<b>98,035</b>	142,151	
<b>Net current assets</b>						<b>13,238</b>	12,501	
<b>Total assets less current liabilities</b>						<b>20,044</b>	20,058	
<b>Non-current liabilities</b>								
Borrowings, due after one year			20			<b>21,354</b>	20,888	
<b>Net liabilities</b>						<b>(1,310)</b>	(830)	

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		<b>As at</b>	
		<b>31 December</b>	30 June
		<b>2019</b>	2019
		<b>(unaudited)</b>	(audited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Capital and reserves</b>			
Issued capital	21	<b>52,021</b>	43,351
Reserves		<b>(51,705)</b>	(42,648)
<b>Equity attributable to owners of the Company</b>			
		<b>316</b>	703
Non-controlling interests		<b>(1,626)</b>	(1,533)
<b>Total deficit</b>			
		<b>(1,310)</b>	(830)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	Attributable to owners of the Company								
	Issued capital	Share Premium	Capital reserve	Share- based payment reserve	Exchange 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 2018 and 1 July 2018 (audited)	43,351	437,143	(100)	9,584	(48)	(432,773)	57,157	(883)	56,274
Impact of adopting HKFRS 9	-	-	-	-	-	(1,010)	(1,010)	-	(1,010)
Loss for the period	-	-	-	-	-	(32,814)	(32,814)	(361)	(33,175)
Other comprehensive loss for the period	-	-	-	-	(77)	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(77)	(32,814)	(32,891)	(361)	(33,252)
At 31 December 2018 (unaudited)	<u>43,351</u>	<u>437,143</u>	<u>(100)</u>	<u>9,584</u>	<u>(125)</u>	<u>(466,597)</u>	<u>23,256</u>	<u>(1,244)</u>	<u>22,012</u>
<b>At 30 June 2019 and 1 July 2019 (audited)</b>	<b>43,351</b>	<b>437,143</b>	<b>(100)</b>	<b>7,815</b>	<b>(109)</b>	<b>(487,397)</b>	<b>703</b>	<b>(1,533)</b>	<b>(830)</b>
Loss for the period	-	-	-	-	-	(13,352)	(13,352)	(93)	(13,445)
Other comprehensive loss for the period	-	-	-	-	(40)	-	(40)	-	(40)
Total comprehensive loss for the period	-	-	-	-	(40)	(13,352)	(13,392)	(93)	(13,485)
Transactions with owners									
Issuance of shares	8,670	4,335	-	-	-	-	13,005	-	13,005
Forfeiture of share options	-	-	-	(1,240)	-	1,240	-	-	-
At 31 December 2019 (unaudited)	<u>52,021</u>	<u>441,478</u>	<u>(100)</u>	<u>6,575</u>	<u>(149)</u>	<u>(499,509)</u>	<u>316</u>	<u>(1,626)</u>	<u>(1,310)</u>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash generated from operating activities	<b>937</b>	5,011
Net cash generated from investing activities	<b>1,817</b>	6,595
Net cash used in financing activities	<b>(2,678)</b>	(17,871)
Net increase/(decrease) in cash and cash equivalents	<b>76</b>	(6,265)
Cash and cash equivalents at 1 July	<b>702</b>	8,574
Effect of foreign exchange rate changes	<b>(40)</b>	(77)
Cash and cash equivalents at 31 December	<b><u>738</u></b>	<u>2,232</u>
<b>Represented by:</b>		
Bank balances and cash	<b><u>738</u></b>	<u>2,232</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2019*

## **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 and trading of server storage, multi-media, communication and other electronic products, money lending, investments in securities, distribution and trading of rice cooker and household electrical appliances, business of entertainment, trading of commodity products and automotive components, and trading of building materials.

## **2. GOING CONCERN**

During the six month ended 31 December 2019, the Group incurred a net loss amounted to approximately HK\$13,445,000 (2018: HK\$33,175,000) and as of that date, the Group's total liabilities exceeded its total assets by approximately HK\$1,310,000 (30 June 2019: HK\$830,000) and the Group had current borrowings of approximately HK\$55,990,000 (30 June 2019: HK\$66,439,000) whereas the Group had cash and cash equivalents of approximately HK\$738,000 (30 June 2019: HK\$702,000) only. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, on 12 November 2019, the Company and Mr. Ke Jun Xiang, the Chairman and executive director of the Company entered into loans agreement pursuant to which Mr. Ke agrees to provide loans to the Company amounting to approximately HK\$100,000,000. The directors of the Company also prepared a working capital forecast for a period of 12 months ending on 31 December 2020, which have taken into consideration of the Group's financial performance, working capital, liquidity position and the above-mentioned arrangement. In light of this, the directors of the Company consider the Group has sufficient working capital and should be able to maintain itself as a going concern in the foreseeable future and the preparation of consolidated financial statements using going concern basis is appropriate.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 3. BASIS OF PREPARATION AND ADOPTION 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 2019 (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 2020 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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and methods of computation used in the preparation of Interim Financial Statements are consistent with those adopted in the Group’s annual financial statements for the year ended 30 June 2019, except for the adoption of the following new and revised Hong Kong HKFRSs, HKAS and amendments (hereinafter collectively referred to as the “new and revised HKFRSs”) which are effective for the financial year commencing on or after 1 July 2019:

#### **New and amended standards adopted by the Group**

The following new and revised standards and a new interpretation were required to be adopted by the Group effective from 1 July 2019:

HKFRS 16	Leases
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 9	Prepayment Features with Negative Compensation
Amendments to HKA 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of these new or amendments to HKFRSs does not have any significant financial effect on the Group’s unaudited condensed consolidated financial statements except for the adoption of HKFRS 16.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2019*

### **3. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**

#### **HKFRS 16 Leases**

HKFRS 16 supersedes HKAS 17 Leases and introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying asset and lease liabilities representing its obligation to make lease payments.

The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

#### **(a) Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK (IFRIC)-Int 4 Determining Whether an Arrangement contains a Lease, the Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK (IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 3. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### HKFRS 16 Leases (Continued)

##### (b) As a lessee

The Group leases certain properties for office purpose.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for its leases.

##### *Significant accounting policies*

The Group recognises a right-of use assets and a lease liability at the lease commencement date. The right-of use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 3. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### HKFRS 16 Leases (Continued)

##### (b) As a lessee (Continued)

###### *Transition*

Previously, the Group classified office property leases as operating leases under HKAS 17. At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 July 2019. The Group’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 is 5.25%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term, from the date of initial application of HKFRS 16;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- Measured the lease liabilities at the date of initial application of HKFRS 16 by using a single discount rate to a portfolio of leases with reasonably similar characteristics.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 3. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### HKFRS 16 Leases (Continued)

##### (c) Impacts of condensed consolidated financial statements

###### *Impact on transition*

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019.

**1 July 2019**

HK\$'000

Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	2,115
Discounted using the incremental borrowing rate at 1 July 2019	1,308
Lease liability recognised as at 1 July 2019 of which are:	
Current lease liabilities	705
Non-current lease liabilities	603
	1,308

###### *Impacts for the period*

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised approximately HK\$974,000 of right-of-use assets and approximately HK\$986,000 of lease liabilities as at 31 December 2019.

Also, in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognised HK\$334,000 of depreciation charges and HK\$28,000 of finance costs from these leases.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for goods sold, interest income from money lending operations and income from concert performance.

An analysis of revenue is as follows:

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue from contracts with customers</b>		
Revenue from distribution and trading of:		
– server storage, multi-media, communication and other electronic products	<b>20,127</b>	10,538
– rice cookers and household electrical appliances	<b>2,304</b>	4,520
Revenue from trading of:		
– commodity products and automotive components	–	50,653
– building materials	<b>7,352</b>	–
	<b>29,783</b>	65,711
<b>Revenue from other sources</b>		
Interest income from money lending operations	<b>1,202</b>	1,483
Total revenue from continuing operations	<b>30,985</b>	67,194

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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

The Group has seven reportable operating segments and details are as follows:

- (i) distribution and trading of server storage, multi-media, communication and other electronic products in Hong Kong;
- (ii) distribution and trading of rice cookers and household electrical appliances in the People's Republic of China (the "PRC");
- (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) entertainment segment engages primarily in organisation of concerts in Hong Kong and Macau;
- (vi) trading of commodity products and automotive components in Hong Kong; and
- (vii) trading of building materials in Hong Kong.

During the period ended 31 December 2019, the Group commenced a new business of trading of building materials. No corresponding segment information was disclosed for prior period ended 31 December 2018.

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.

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 2019

### 4. 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	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Continuing operations:				
Distribution and trading of:				
– server storage, multi-media, communication and other electronic products	<b>20,127</b>	10,538	<b>(931)</b>	(1,846)
– rice cooker and household electrical appliances	<b>2,304</b>	4,520	<b>104</b>	(53)
Trading of:				
– commodity products and automotive components	-	50,653	<b>(2)</b>	150
– building materials	<b>7,352</b>	-	<b>368</b>	-
Money lending	<b>1,202</b>	1,483	<b>1,218</b>	1,870
Investment in securities	-	-	<b>(681)</b>	(16,193)
Entertainment	-	-	-	174
Total segment revenue/results from continuing operations	<b>30,985</b>	67,194	<b>76</b>	(15,898)
Discontinued operation:				
Distribution of sports car	-	-	-	(368)
Total segment revenue/results from continuing and discontinued operations	<b>30,985</b>	67,194	<b>76</b>	(16,266)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

Reconciliation of segment results to consolidated loss before taxation

	For the six months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Total segment results	<b>76</b>	(16,266)
Interest income	<b>2,062</b>	2,235
Other gains	<b>4,903</b>	3,729
Unallocated reversal of impairment loss, net	<b>617</b>	–
Unallocated finance costs	<b>(6,038)</b>	(4,731)
Unallocated depreciation	<b>(2,038)</b>	(2,011)
Unallocated staff costs	<b>(7,287)</b>	(8,514)
Unallocated corporate expenses	<b>(5,737)</b>	(7,588)
	<hr/>	<hr/>
Consolidated loss before tax	<b>(13,442)</b>	(33,146)
	<hr/> <hr/>	<hr/> <hr/>

#### Segment assets and liabilities

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

	31 December	30 June
	2019 (unaudited) HK\$'000	2019 (audited) HK\$'000
<b>Segment assets</b>		
Distribution and trading of:		
– server storage, multi-media, communication and other electronic products	<b>19,961</b>	1,622
– rice cooker and household electrical appliances	<b>21,995</b>	22,512
Trading of:		
– commodity products and automotive components	–	62,402
– building materials	<b>7,352</b>	–
Money lending	<b>14,999</b>	21,364
Investment in securities	<b>26,022</b>	20,084
	<hr/>	<hr/>
Total segment assets	<b>90,329</b>	127,984
Tax recoverable	<b>115</b>	115
Unallocated corporate assets	<b>27,635</b>	34,110
	<hr/>	<hr/>
Total assets	<b>118,079</b>	162,209
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

#### Segment assets and liabilities (Continued)

	<b>31 December 2019 (unaudited) HK\$'000</b>	30 June 2019 (audited) HK\$'000
<b>Segment liabilities</b>		
Distribution and trading of:		
– server storage, multi-media, communication and other electronic products	<b>27,170</b>	7,972
– rice cooker and household electrical appliances	<b>68</b>	354
Trading of:		
– commodity products and automotive components	<b>71</b>	62,429
– building materials	<b>6,984</b>	–
Money lending	<b>335</b>	126
Investment in securities	<b>14,360</b>	11,044
	<hr/>	<hr/>
Total segment liabilities	<b>48,988</b>	81,925
Unallocated corporate liabilities	<b>70,401</b>	81,114
	<hr/>	<hr/>
Total liabilities	<b>119,389</b>	163,039
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 4. REVENUE AND SEGMENT INFORMATION (Continued)

#### Other segment information

	Depreciation		Fair value losses on investments of fair value through profit or loss, net		Finance costs		Capital expenditures	
	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	
	2019	2018	2019	2018	2019	2018	2019	2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations:</b>								
Distribution and trading of:								
– server storage, multi-media, communication and other electronic products	21	26	-	-	311	344	-	-
Investment in securities	-	-	88	14,437	735	734	-	-
Unallocated	2,038	2,011	-	-	6,038	4,731	-	8
	<b>2,059</b>	<b>2,037</b>	<b>88</b>	<b>14,437</b>	<b>7,084</b>	<b>5,809</b>	<b>-</b>	<b>8</b>
<b>Discontinued operation:</b>								
Distribution of sport car	-	368	-	-	-	-	-	-
Total	<b>2,059</b>	<b>2,405</b>	<b>88</b>	<b>14,437</b>	<b>7,085</b>	<b>5,809</b>	<b>-</b>	<b>8</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 4. 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 2019 and 2018 accounted for more than 10% of the total revenue of the Group are as follows:

	For the six months ended 31 December	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Customer A	N/A*	8,172
Customer B	N/A*	10,275
Customer C	N/A*	40,377
Customer D	11,558	–
Customer E	8,296	–
Customer F	7,352	–

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group from continuing and discontinued operations for that period.

Sales to the above customers are included in the segment of distribution and trading of server storage, multi-media, communication and other electronic products, and trading of building materials.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 4. 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 receivables and refundable deposit is based on the physical location of the asset, in the case of property, plant and equipment and right-of-use 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:

	<b>Revenue from external Customers from continuing and discontinued operations</b>		<b>Non-current assets</b>	
	<b>For the six months ended 31 December</b>		<b>As at</b>	
	<b>2019</b>	2018	<b>31 December</b>	30 June
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Hong Kong and other parts of the PRC (place of domicile)	<b>30,985</b>	67,194	<b>6,806</b>	7,557

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 5. OTHER INCOME

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income derived from:		
– bank deposits	–	12
– other loan receivable (note 14(b))	<b>2,061</b>	2,223
	<b>2,061</b>	2,235
Others	<b>1</b>	916
	<b>2,062</b>	3,151

### 6. OTHER GAINS

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Gains arising from written back of:		
– other receivable	–	250
– provision for impairment loss on intangible asset	–	547
Gain on disposal of property, plant and equipment	–	175
Modified gain on financial liabilities	<b>1,940</b>	–
Gain on extinguishment of other loan	<b>2,963</b>	–
	<b>4,903</b>	972



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 7. REVERSAL OF IMPAIRMENT LOSSES/(IMPAIRMENT LOSSES), NET

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Impairment losses on loans receivables for ECL model:		
– Stage 3	<b>(5)</b>	–
Impairment losses on other receivables for ECL model:		
– Stage 1	<b>16</b>	–
– Stage 3	<b>315</b>	–
Impairment losses on other receivables for incurred loss model:		
– Individually assessed	<b>800</b>	3,000
	<b>1,131</b>	3,000
	<b>1,126</b>	3,000

### 8. STAFF COSTS

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Directors' emoluments	<b>4,315</b>	6,194
Other staff costs:		
Salaries, commission, bonus and other benefits	<b>3,586</b>	3,552
Retirement benefits scheme contributions	<b>99</b>	87
Total staff costs including directors' emoluments	<b>8,000</b>	9,833

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 9. FINANCE COSTS

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on other bank loans, bills and overdrafts	<b>1</b>	–
Discounting charge on factoring loans	–	76
Margin loan interest expenses	<b>735</b>	734
Other loan interest expenses	<b>5,654</b>	4,333
Bond interest expenses	<b>666</b>	666
Lease interest expenses	<b>28</b>	–
	<b>7,084</b>	5,809

### 10. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

Loss for the period from continuing operations has been arrived at after charging/(crediting) the following:

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Fair value (gains)/losses on investments at fair value through profit or loss:		
– realised (gains)/losses, net	<b>(143)</b>	10,328
– unrealised losses, net	<b>55</b>	4,109
	<b>(88)</b>	14,437
Cost of sales:		
– cost of inventories recognised as expenses in cost of sales	<b>29,202</b>	65,250
Depreciation	<b>2,059</b>	2,037
Legal, professional and consultancy expenses	<b>2,412</b>	992

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2019*

### **11. INCOME TAX EXPENSES**

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits in Hong Kong for the six months ended 31 December 2019 and 2018.

### **12. LOSS PER SHARE**

#### **From continuing operations**

The calculation of basic loss per share for continuing operations is based on the Group's loss from continuing operations attributable to owners of the Company of approximately HK\$13,352,000 (2018: HK\$32,446,000) and on the weighted average number of 4,462,368,672 (2018: 4,335,145,846) shares in issue during the period.

Basic and diluted loss per share for continuing operations for the both periods ended 31 December 2019 and 2018 were the same as the outstanding share options of the Company have 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.

#### **From discontinued operation**

Calculation of basic and diluted earnings/loss per share for discontinued operation is not applicable for the period ended 31 December 2019 as the Group had neither profit nor loss attributable to owners of the Company. For the period ended 31 December 2018, the calculation is based on the Group's loss from discontinued operation attributable to owners of the Company of approximately HK\$368,000 and the denominators detailed above for both basic and diluted loss per share.

### **13. INTERIM DIVIDENDS**

No interim dividend was paid or proposed for the six months ended 31 December 2019 (2018: 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 2019

### 14. LOANS RECEIVABLE

		<b>As at</b>	
		<b>31 December</b>	30 June
		<b>2019</b>	2019
		<b>(unaudited)</b>	(audited)
	Note	<b>HK\$'000</b>	HK\$'000
Loans receivable from money lending business:			
– personal loans		<b>4,950</b>	4,848
– corporate loan		<b>10,689</b>	10,000
		<hr/>	<hr/>
Gross carrying amount	(a)	<b>15,639</b>	14,848
Less: allowance for impairment loss		<b>(753)</b>	(1,047)
		<hr/>	<hr/>
		<b>14,886</b>	13,801
		<hr/>	<hr/>
Other loan receivable	(b)	<b>16,744</b>	17,090
Less: allowance for impairment loss		<b>(1,593)</b>	(1,294)
		<hr/>	<hr/>
		<b>15,151</b>	15,796
		<hr/>	<hr/>
		<b>30,037</b>	29,597
		<hr/>	<hr/>
Less: amounts classified as current assets		<b>(30,037)</b>	(29,597)
		<hr/>	<hr/>
Amounts classified as non-current assets		<b>–</b>	–
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 14. LOANS RECEIVABLE (Continued)

Note:

- (a) The loans receivables arising from the money lending business of the Group carry fixed contractual interests rate ranging from 15% to 20% (30 June 2019: 15% to 20% per annum). Effective interest rates of these loans receivable ranged from 16% to 23% (30 June 2019: 16% to 26%) 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 business. Overdue balances are reviewed regularly by senior management. As at 31 December 2019 and 30 June 2019, the Group did not hold any collateral or any credit enhancements over these loans receivables.
- (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"). ShuiLiFang loan carries fixed interest rate of 25% per annum with original tenure of 5 years to 25 September 2019, which has been extended to 30 June 2020. Interest on the outstanding principal is payable half yearly. ShuiLiFang Loan is secured by a corporate guarantee executed 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.

As at 31 December 2019, the outstanding principal amount of ShuiLiFang Loan and its interest receivable are set out as follows:

	<b>As at</b>	
	<b>31 December</b>	30 June
	<b>2019</b>	2019
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Outstanding principal amount of ShuiLiFang Loan	<b>16,744</b>	17,090
Interest receivable (note 15)	<b>1,055</b>	1,135
	<b>17,799</b>	18,225

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 15. PREPAYMENTS, DEPOSITS, INTEREST AND OTHER RECEIVABLES

		<b>As at</b>	
		<b>31 December</b>	30 June
		<b>2019</b>	2019
		<b>(unaudited)</b>	(audited)
Note		<b>HK\$'000</b>	HK\$'000
		<b>314</b>	853
Rental deposits			
Refundable deposit paid to secure an agency agreement	(a)	<b>20,000</b>	20,000
Purchase deposits		<b>1,944</b>	1,791
Refundable deposit previously paid for proposed acquisition	(b)	<b>3,000</b>	3,000
Other loan interest receivable ( <i>note 14(b)</i> )		<b>1,055</b>	1,135
Interest receivable for loans receivable from money lending business		-	668
Consideration receivable from loan assignment	(c)	-	7,000
Consideration receivable under the Transfer Agreement	(d)	<b>3,000</b>	7,500
Proceeds receivable from disposal of trading securities		-	1,000
Others		<b>193</b>	1,990
		<b>29,506</b>	44,937
Less: allowance for impairment loss		<b>(2,357)</b>	(3,487)
		<b>27,149</b>	41,450
Less: amounts classified as current assets		<b>(27,149)</b>	(41,450)
		<b>-</b>	-
Amounts classified as non-current assets		<b>-</b>	-

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 15. PREPAYMENTS, DEPOSITS, INTEREST AND OTHER RECEIVABLES (Continued)

Note:

- (a) As at 31 December 2019, the amount represented a deposit of HK\$20,000,000 (30 June 2019: 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 the first supplemental agreement dated 16 November 2016 with other terms unchanged. Pursuant to the agency agreement and the second supplemental agreement, the Company or its subsidiaries were allowed by a supplier to distribute the supplier's rice cookers and household electrical appliances in the regions including the PRC, Southeast Asia, the Middle East, Africa and South America. The security deposit could be refunded in full without interest to the Company after the termination of the agency agreement. In October 2019, the Company and a supplier have agreed to extend the agency agreement for a year to November 2020.
- (b) On 20 November 2017, the Company and a vendor entered into a memorandum of understanding ("MOU"), which has been supplemented by several supplemental MOUs, pursuant to which the Company intended to acquire the entire share capital of a target company which is involved in hotel operation in the PRC, for the consideration of RMB100,000,000 and the Company agreed to pay the vendor an initial refundable deposit of HK\$5,000,000 within five business days from the date of MOU. On 31 May 2018, the Company and the vendor entered into a termination agreement to terminate the MOU and its supplemental MOUs and the initial refundable deposit of HK\$5,000,000 was agreed to refund to the Company 60 days after the date of termination agreement without interest. During the year ended 30 June 2019, the Group has recovered HK\$2,000,000 from the vendor and reversal of impairment loss has been made. The Group has initiated litigation against the vendor for the remaining balance over which the Group did not hold any collateral. On 28 February 2020, the vendor made a payment of HK\$800,000 to the Group as full and final settlement of all outstanding amounts due to the Group upon entering into a settlement agreement between both parties.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 15. PREPAYMENTS, DEPOSITS, INTEREST AND OTHER RECEIVABLES (Continued)

Note: (Continued)

- (c) During the year ended 30 June 2019, the Group and an independent third-party individual entered into a loan assignment agreement, pursuant to which the Group assigns all rights and obligations relating to a loan receivable with gross balance of HK\$9,000,000 to an independent third-party individual for a consideration of HK\$7,000,000 which had been fully settled by 31 December 2019.
- (d) On 26 September 2018, the Group and a purchaser entered into a transfer agreement (the "Transfer Agreement"), pursuant to which the Group agreed to dispose and transfer its distribution rights in sports car to a purchaser at a consideration of approximately HK\$5,500,000 and transfer the purchase deposits previously placed by the Group to the supplier amounting to HK\$4,000,000. During the year ended 30 June 2019, the Group has received HK\$2,000,000. Under the Transfer Agreement, the purchaser agreed to settle the remaining balance of HK\$7,500,000 by monthly instalment with last instalment falling due in June 2019. On 30 December 2019, the Company and the purchaser entered into a supplemental agreement, pursuant to which the last instalment will be settled in March 2020.

### 16. TRADE RECEIVABLES

	<b>As at</b>	
	<b>31 December</b>	30 June
	<b>2019</b>	2019
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b><u>27,206</u></b>	<u>63,699</u>

The Group's trading terms with its customers are mainly on open account terms. There is no credit enhancement measure for the Group's trade receivables. The credit period is generally for a period of up to 105 days. The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing and their carrying amounts approximate to their fair values.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 16. TRADE RECEIVABLES (Continued)

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
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	11,372	62,401
31 – 60 days	3,168	771
Over 60 days	12,666	527
	<u>27,206</u>	<u>63,699</u>

The Group's trade receivables as at 31 December 2019 and 30 June 2019 were not charged to secure any banking facilities.

### 17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	31 December	30 June
	2019	2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Equity securities at fair value, listed in Hong Kong	<u>26,004</u>	<u>19,065</u>

As at 31 December 2019 and 30 June 2019, the listed equity investments were held for trading and were 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

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

	Number of shares		Percentage of		investment cost		Fair value as at		Percentage to the		Principal activities
	held as at		shareholding as at		31		31		Group's		
	31 December	30 June	December	30 June	December	30 June	December	30 June	December	30 June	
	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	
			%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%	%	
China Health Group Limited (stock code: 673)	1,239,000	-	-	-	4,512	-	5,498	-	5.0	-	Provision of hospital management services, trading of medical equipment and consumables, business factoring and property investment
Greater Bay Area Investments Group Holdings Limited (stock code: 261)	1,144,480,000	1,144,480,000	0.1	0.1	11,445	11,445	11,445	11,445	10.33	7.1	Sale of telecom and electronic products and supply of infant and baby products, property development and investment in mainland China and finance business in the PRC
Omnibridge Holdings Limited (stock code: 8462)	6,630,000	6,275,000	1.1	1.0	3,553	4,471	2,387	2,949	2.2	1.8	Provision of human resources outsourcing services, human resources recruitment service and other human resources support services
Hong Wei (Asia) Holdings Company Limited (stock code: 8191)	22,804,000	16,756,000	2.7	2.0	3,965	4,981	4,812	2,396	4.3	1.5	Manufacturing and sale of particleboards and timber logging, plantation and sale of wood and agricultural products
Others							1,862	2,274			
							<u>28,004</u>	<u>19,065</u>			

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

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

Unrealised and realised gain or loss of investments at fair value through profit or loss for the period ended 31 December 2019 are summarized as follows:

Stock name	Stock code	Unrealised gain/(loss)		Realised gain/(loss)	
		31 December	31 December	31 December	31 December
		2019	2018	2019	2018
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong Finance Investment Holding Group Limited	0007	(10)	-	2	-
China Health Group Limited	0673	986	-	-	-
Prosperity International Holdings (H.K.) Limited	0803	(550)	(2,588)	-	-
Greenway Mining Group Limited	2133	(87)	(77)	-	-
Yestar Healthcare Holdings Co. Limited	2393	19	-	-	-
Omnibridge Holdings Limited	8462	(1,166)	-	141	-
Hong Wei (Asia) Holdings Company Limited	8191	754	(1,445)	-	(488)
Others		(1)	1	-	(9,840)
		<b>(55)</b>	<b>(4,109)</b>	<b>143</b>	<b>(10,328)</b>

At 31 December 2019, the Group's listed equity investments with aggregate carrying amount of HK\$26,004,000 (30 June 2019: HK\$19,065,000) were pledged to securities brokerage firms to secure the margin financing facilities granted to the Group. Details are set out in note 23.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 18. 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:

	<b>As at</b>	
	<b>31 December</b>	30 June
	<b>2019</b>	2019
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>10,998</b>	62,338
31 – 60 days	<b>3,163</b>	731
Over 60 days	<b>13,817</b>	1,665
	<b>27,978</b>	64,734

### 19. ACCRUALS, INTEREST AND OTHER PAYABLES

	<b>As at</b>	
	<b>31 December</b>	30 June
	<b>2019</b>	2019
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Staff costs payable	<b>7,525</b>	3,586
Due to a director	<b>141</b>	130
Interest payable ( <i>note</i> )	<b>1,998</b>	4,309
Others	<b>3,417</b>	2,953
	<b>13,081</b>	10,978

*Note:* Included in interest payable balance as at 31 December 2019 is an amount of approximately HK\$1,843,000 relating to other balance of other loans in note 20(b)(ii) (30 June 2019: HK\$4,255,000 relating to interest payable on other loans due to the Claimant in note 20(b)(i)).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 20. BORROWINGS

		<b>As at</b>	
		<b>31 December</b>	30 June
		<b>2019</b>	2019
		<b>(unaudited)</b>	(audited)
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Margin loans, secured	(a)	<b>14,320</b>	11,004
Other loans	(b)	<b>41,670</b>	55,435
Bonds, unsecured	(c)	<b>21,354</b>	20,888
		<b>77,344</b>	87,327
Less: amounts classified as current liabilities		<b>(55,990)</b>	(66,439)
Amounts classified as non-current liabilities		<b>21,354</b>	20,888
Analysed as:			
Secured and guaranteed		<b>5,391</b>	5,135
Secured but unguaranteed		<b>15,070</b>	31,304
Unsecured but guaranteed		<b>29,315</b>	30,000
Unsecured and unguaranteed		<b>27,568</b>	20,888
		<b>77,344</b>	87,327

Margin loans and other loans are repayable either on demand or within a period of not exceeding one year. Bonds, based on the maturity terms, are repayable:

	<b>As at</b>	
	<b>31 December</b>	30 June
	<b>2019</b>	2019
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	<i>HK\$'000</i>
More than one year but not exceeding five years	<b>21,354</b>	20,888

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2019*

### **20. BORROWINGS (Continued)**

*Note:*

- (a) Margin loans, secured

Margin loans are variable-rate borrowings with effective interest rates ranging from 7.4% to 8.4% (30 June 2019: 7.4% to 8.4%) and are secured by the Group's listed equity investments with aggregate carrying amounts of approximately HK\$26,004,000 (30 June 2019: HK\$19,065,000).

- (b) Other loans

- (i) Other loans payable to the Claimant

On 24 September 2019, the Company announced that it received a writ of summons issued by a claimant ("Claimant") against the Company to claim the outstanding balance of HK\$24,887,000 which comprised other loans of HK\$20,000,000 and interest payable of approximately HK\$4,887,000. On 30 September 2019, the Company announced that the Company and the Claimant entered into a settlement agreement pursuant to which the Company agreed to pay the Claimant the sum of HK\$24,054,000, which comprises outstanding balance together with legal costs incurred, by instalments with first instalment due on 30 September 2019 and last instalment due on 30 June 2020. On 3 October 2019, the Company announced that the Claimant and the Company jointly applied to the court on 2 October 2019 for a consent order whereby the Claimant is stipulated to wholly discontinue the court action against the Company. After paying cash instalment of HK\$500,000 to the Claimant on 11 November 2019, the Company and the Claimant entered into a supplemental settlement agreement, pursuant to which the Company would issue 867,000,000 shares of the Company ("Settlement Shares") for settlement of HK\$17,340,000 and pay the balance of HK\$6,214,000 by cash. On 5 December 2019, the Settlement Shares were issued to the Claimant. As at 31 December 2019, loans payable to the Claimant was approximately HK\$6,214,000, representing the remaining portion of cash settlement under the supplemental settlement agreement.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 20. BORROWINGS (Continued)

Note: (Continued)

(b) Other loans (Continued)

(ii) Other balances of other loans

As at 31 December 2019, including in the Group's other loans balance was the aggregate carrying amount of approximately HK\$29,315,000 (30 June 2019: HK\$30,000,000) in respect of several loans which were in default and therefore interest payable of approximately HK\$1,843,000 was calculated at a carrying default interest rate ranging from 30% to 36% (30 June 2019: 24% to 30%) per annum. As at 31 December 2019, they were secured by personal guarantee executed by Mr. Ke Jun Xiang and Mr. Wilson Wong. As at 30 June 2019, they were secured by personal guarantee executed by Mr. Ke Jun Xiang solely.

As at 31 December 2019, other loans of approximately HK\$5,391,000 (30 June 2019: HK\$5,435,000) were fixed-rate borrowings with effective interest rates of 12% (30 June 2019: 12%) per annum. They are secured by the Group's yacht with carrying amount of approximately HK\$2,178,000 (30 June 2019: HK\$3,267,000) and are also secured by corporate guarantee executed by a subsidiary of the Company.

As at 31 December 2019, other loans of approximately HK\$750,000 (30 June 2019: HK\$ nil) was fixed-rate borrowings with effective interest rate of 13% per annum. It is secured by the Group's motor vehicles with aggregate carrying amount of approximately HK\$697,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 20. BORROWINGS (Continued)

Note: (Continued)

- (c) Bonds, unsecured

Details of bonds are as follows:

	Maturity year	Principal HK\$'000	As at	
			31 December 2019 (unaudited) HK\$'000	30 June 2019 (audited) HK\$'000
7-year 7% coupon straight bonds	2021	10,000	<b>10,904</b>	10,554
8-year 6% coupon straight bonds	2022	10,000	<b>10,450</b>	10,334
			<b><u>21,354</u></b>	<u>20,888</u>

In 2014, the Company successfully placed two straight bonds with principal amount of HK\$10,000,000 each to two independent places with maturity dates falling in 7 to 8 years after the issuance.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 21. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each		Nominal value	
	31 December 2019 (unaudited)	30 June 2019 (audited)	31 December 2019 (unaudited) HK\$'000	30 June 2019 (audited) HK\$'000
Authorised	<b>60,000,000</b>	60,000,000	<b>60,000</b>	60,000
Issued and fully paid:				
At beginning of period/year	<b>4,335,146</b>	4,335,146	<b>43,351</b>	43,351
Issue of new shares (note)	<b>867,000</b>	–	<b>8,670</b>	–
At end of period/year	<b>5,202,146</b>	4,335,146	<b>52,021</b>	43,351

Note: On 5 December 2019, the Company issued 867,000,000 shares for settling HK\$17,340,000 out of the outstanding balance of HK\$24,054,000 to the Claimant. Details are set out in note 20(b)(i).

### 22. OPERATING LEASE COMMITMENTS

There was no minimum lease payment paid under operating leases in respect of land and buildings excluding director's quarter during the period (30 June 2019: HK\$3,199,000).

As at 31 December 2019 and 30 June 2019, the Group had commitments for future minimum lease under non-cancellable operating leases in respect of land and buildings mainly for its office premises. The operating lease commitments fall due as follows:

	As at	
	31 December 2019 (unaudited) HK\$'000	30 June 2019 (audited) HK\$'000
Not later than one year	<b>438</b>	1,535
Later than one year and not later than five years	–	580
	<b>438</b>	2,115

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 22. OPERATING LEASE COMMITMENTS (Continued)

Operating lease payment represents rentals payable by the Group for rental of land and buildings with remaining lease terms of between 5 to 6 months (30 June 2019: 4 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.

### 23. PLEDGE OF ASSETS

As at 31 December 2019, assets of the Group pledged were as follows:

- i. margin loans were secured by the Group's listed equity investments with aggregate carrying amount of approximately HK\$26,004,000 (30 June 2019: HK\$19,065,000).
- ii. other loans amounting to approximately HK\$5,391,000 (30 June 2019: HK\$5,435,000) were secured by the Group's yacht with carrying amount of approximately HK\$2,178,000 (30 June 2019: HK\$3,267,000) and corporate guarantee executed by a subsidiary of the Company.
- iii. other loans amounting to approximately HK\$750,000 (30 June 2019: HK\$ nil) were secured by the Group's motor vehicles with aggregate carrying amount of approximately HK\$697,000.

### 24. 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:

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>5,188</b>	7,620
Post-employment benefits	<b>36</b>	62
	<b>5,224</b>	7,682

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

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

#### (b) Transactions with directors of the Company

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

	<b>For the six months ended 31 December</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Advancement from Ms. Lo Yuen Chung <sup>#1</sup>	<b>276</b>	493
Repayment to Ms. Lo Yuen Chung	<b>(265)</b>	(134)
Facility provided by Mr. Ke Jun Xiang <sup>#2</sup>	<b>100,000</b>	30,000
Outstanding principal amount of the Group's other loans which are secured by:		
– personal guarantees executed by Mr. Ke Jun Xiang and Mr. Wilson Wong	<b>30,000</b>	–
– personal guarantees executed by Mr. Ke Jun Xiang	–	30,000
– the Company's shares held by Mr. Ke Jun Xiang and Mr. Wilson Wong	<b>–</b>	<b>20,000</b>

<sup>#1</sup> Amount due to Ms. Lo Yuen Chung was interest-free, unsecured and had no fixed terms of repayment.

<sup>#2</sup> On 12 November 2019, Mr. Ke Jun Xiang issued an undertaking, pursuant to which Mr. Ke Jun Xiang agreed to provide funding of HK\$100,000,000 to the Company. During the period ended 31 December 2019, the Company had not utilised any amount of the facility. On 28 September 2018, Mr. Ke Jun Xiang issued an undertaking letter, pursuant to which Mr. Ke Jun Xiang agreed to provide funding of HK\$30,000,000 to the Company.

#### (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 advancement, 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 2019*

### **25. EVENT AFTER THE END OF THE REPORTING PERIOD**

On 19 February 2020, the Company entered into a termination agreement with Mr. Hu Jian, pursuant to which both parties have agreed to terminate the acquisition of 51% of the issued share capital of Wunan Chang Leqing Food Technology Limited.

### **26. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified or restated to conform to the current period presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial results

Comparing to the corresponding period of last financial year, the Group's total consolidated revenue from continuing operations lowered by 53.89% to approximately HK\$30,985,000 during the six months ended 31 December 2019 (2018: HK\$67,194,000).

The overall decrease was mainly ascribed to the absence of income earned from trading of commodity products and automotive components during the period. In the last period ended 31 December 2018, this segment contributed approximately HK\$50,653,000, or 75.38% to the total revenue.

In the current period, revenue from the Group's core business of distribution and trading of server storage, multi-media, communication and other electronic products, accounting for 64.96% (2018: 15.68%) of the total revenue, rose to approximately HK\$20,127,000 (2018: HK\$10,538,000).

Revenue from sales of goods also included approximately HK\$2,304,000 (2018: HK\$4,520,000), or 7.43% (2018: 6.73%), from distribution and trading of rice cookers and household electrical appliances and approximately HK\$7,352,000 (2018: HK\$ nil), or 23.73% (2018: nil), from a new business of trading of building materials in Hong Kong commencing in the period.

Interest income earned from money lending operation amounted to approximately HK\$1,202,000 (2018: HK\$1,483,000) and accounted for 3.88% (2018: 2.21%) of the total revenue.

During the period, there was no revenue from the business in entertainment (2018: HK\$ nil).

Cost of goods sold for the six months ended 31 December 2019 was approximately HK\$29,202,000 (2018: HK\$65,250,000). Despite that gross profit margin increased to 5.75% (2018: 2.89%), total gross profit was only approximately HK\$1,783,000 (2018: HK\$1,944,000), representing a decrease of 8.28% as a result of the drop in total revenue for the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group earned other income of approximately HK\$2,062,000 (2018: HK\$3,151,000) which was interest income derived from other loans receivable mainly. In addition to such interest income, the corresponding amount in the last period also included interest income from bank deposits and dividend income from held-for-trading investments.

For the period, there was gain of approximately HK\$1,126,000 (2018: HK\$3,000,000) arising from reversal of impairment losses on loans receivable and modified gain on financial liability of approximately HK\$1,940,000 (2018: HK\$ nil). Besides, there was also gain on extinguishment of other loan of approximately HK\$2,963,000 (2018: HK\$ nil).

The Group continued to engage in investment in listed securities in Hong Kong. A small net fair value gain on investments of approximately HK\$88,000 was recorded (2018: loss of HK\$14,437,000).

Staff costs for the period decreased to approximately HK\$8,000,000 (2018: HK\$9,833,000). Other operating expenses, comprising selling and distribution costs, other overheads and miscellaneous administrative costs, amounted to approximately HK\$5,808,000 (2018: HK\$7,271,000).

Regarding depreciation charge for property, plant and equipment, the amount was approximately HK\$2,059,000 (2018: HK\$2,037,000). Besides, operating lease expenses was reduced to approximately HK\$453,000 (2018: HK\$2,458,000).

Finance costs, including interest expenses on margin loan, bonds, other loans and lease, rose to approximately HK\$7,804,000 (2018: HK\$5,809,000).

Summing up, the Group recorded a total comprehensive loss attributable to owners of Company wholly from continuing operations of approximately HK\$13,392,000 for the six months ended 31 December 2019 (2018: HK\$32,523,000 from continuing operations and HK\$368,000 from discontinued operation) and loss per share (basic and diluted) for the period was 0.30 HK cents (2018: 0.75 HK cents for continuing operations and 0.01 HK cents for discontinued operation).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business review**

#### *Distribution and trading of server storage, multi-media, communication and other electronic products*

During the reporting period, competition in the market was intensive and product demand from customers continued to be weak. The tough market condition has posed hard impact on our business. A segment loss of approximately HK\$931,000 (2018: HK\$1,846,000) was recorded for the period as a result of sustained thin profit margin. Despite of challenges facing us, we strive to reshape our business strategy to overcome the adverse situation and to provide our customers with the best quality of products and services.

#### *Distribution and trading of rick cookers and household electrical appliances*

The Company continued to distribute products of this segment in the PRC during the reporting period and incurred a small profit of approximately HK\$104,000 (2018: loss of HK\$53,000) in segment results. We are still in the course of identifying a suitable business partner for the distribution business in other regions. The management will monitor the project closely and revise our business strategy to meet the latest market condition when required.

#### *Money lending*

The Group's gained approximately HK\$1,218,000 from money lending business during the period (2018: HK\$1,870,000). The Group believes that there is a constant demand in the market 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.

#### *Investment in securities*

Due to the relatively volatile market condition, the Group suffered a segment loss of approximately HK\$681,000 (2018: HK\$16,193,000) in investment of local listed securities.

As the cash flow of the Group was getting tight, the portfolio size of investment in securities has been reduced substantially so as to redeploy financial resources for meeting other operational requirements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Entertainment*

The Group had not organised any musical live show during the year and no results was recorded for the segment (2018: gain of HK\$174,000). Nevertheless, we are still active in soliciting with various artists and business partners in media production to secure production opportunities.

### *Trading of commodity and automotive components*

The Group commenced the business in trading of commodity and automotive components in the last financial year. and recorded a minor loss of approximately HK\$2,000 in this segment during the period (2018: gain of HK\$150,000). As this business arena is still new to us, we will allocate our financial resources on a prudent basis. Currently, our tradable commodity is confined to industrial metals and automotive components and may expand to other categories when more experience is obtained from the operation.

### *Trading of building materials*

In order to widen the sources of income and improve operating profit, a new segment of business in trading of building materials is started in the current financial year. The Board considers that this new business can broaden revenue base of the Group which would be in the interests of the Company and the shareholders as a whole. During the six months ended 31 December 2019, the trading of building materials segment contributed a revenue of approximately HK\$7,352,000, representing a 23.73% of total revenue from continuing operations and a profit of approximately HK\$368,000 to the total segment results.

### **Liquidity and capital resources**

As at 31 December 2019, the Group had net liabilities of approximately HK\$1,310,000 (30 June 2019: HK\$830,000), comprising total assets of approximately HK\$118,079,000 (30 June 2019: HK\$162,209,000) and total liabilities of approximately HK\$119,389,000 (30 June 2019: HK\$163,039,000).

Total assets included total non-current assets of approximately HK\$6,806,000 (30 June 2019: HK\$7,557,000) and total current assets of approximately HK\$111,273,000 (30 June 2019: HK\$154,652,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

Decrease in total non-current assets was due to depreciation charged to fixed assets in respect of property, plant and equipment for the period. Meanwhile, right-of-use assets of approximately HK\$974,000 was recognised as non-current assets for the first time with the adoption of the new HKFRS 16 Leases during the period.

Reduction in total current assets was mainly caused by the substantial drop in trade receivables to approximately HK\$27,206,000 (30 June 2019: HK\$63,699,000) and the balance of prepayments, deposits, interest and other receivables to approximately HK\$27,149,000 (30 June 2019: HK\$41,450,000) but investments at fair value through profit or loss had increased to approximately HK\$26,004,000 (30 June 2019: HK\$19,065,000).

Total liabilities as at 31 December 2019 comprised non-current liabilities of approximately HK\$21,354,000 (30 June 2019: HK\$20,888,000) and current liabilities of approximately HK\$98,035,000 (30 June 2019: HK\$142,151,000).

Non-current liabilities represented wholly by outstanding bonds and current liabilities. The major factor leading to overall decrease of current liabilities was the reduction in trade payables to approximately HK\$27,978,000 (30 June 2019: HK\$64,734,000). Other main items of current liabilities consisted of accruals, interest and other payables of approximately HK\$13,081,000 (30 June 2019: HK\$10,978,000), margin loans payable of approximately HK\$14,320,000 (30 June 2019: HK\$11,004,000) and other loans payable of approximately HK\$41,670,000 (30 June 2019: HK\$55,435,000).

Due to the funds used up in the current operating activities and also additional financial resource was needed to support new business, total cash resources of the Group consisting only of bank balances and cash which remained at a comparatively low level of approximately HK\$738,000 (30 June 2019: HK\$702,000) and were denominated in HKD, USD and RMB.

## MANAGEMENT DISCUSSION AND ANALYSIS

The current ratio, representing by current assets divided by current liabilities, rose slightly to 1.14 (30 June 2019: 1.09).

As at 31 December 2019, the aggregate amount of margin loan payable and other loans of approximately HK\$55,990,000 (30 June 2019: HK\$66,439,000) were denominated in HKD and USD. They were subject to interest at prevailing commercial lending rates. Together with the outstanding bonds of approximately HK\$21,354,000 (30 June 2019: HK\$20,888,000), which were denominated in HKD, total borrowings amounted to approximately HK\$77,344,000 (30 June 2019: HK\$87,327,000). Calculation of the gearing ratio, which is based on the Group's total borrowings being divided by shareholders' total equity, would not be appropriate as the shareholders' total equity was in deficiency as at the period end.

In light of the highly geared financial position, the Group is exercising strict budgetary control on its financial resources. During the period, the Company reached a settlement agreement with the lender of a loan to settle the outstanding balance of approximately HK\$24,054,000 including interest payable. Out of which, approximately HK\$17,340,000 was settled by 867,000,000 newly issued shares of the Company on 5 December 2019. In addition, Mr. Ke Jun Xiang, the Chairman and executive director of the Company, commits to provide funding of not less than HK\$100,000,000 to the Company pursuant to a letter of undertaking. Having taken into consideration of the Group's financial performance, working capital, liquidity position and available facilities from financial institutions, the directors of the Company are of the opinion that the Group would still be able to meet in full its financial obligations as they fall due for the foreseeable future.

### **Outlook**

Currently, our society is in the midst of the outbreak of the novel coronavirus and economic activities in all respects are slowed down. Our Group is inevitably affected and progress of some of our business plans are forced to be suspended temporarily. Nevertheless, we are optimistic that with all the input of efforts from the SAR Government and every member of the society, the hardship must be able to be overcome and economic dynamics will soon be revived in the aftermath of the threat.

## MANAGEMENT DISCUSSION AND ANALYSIS

Looking forward, our Group will continue to devote the best efforts in keeping the development of our existing business on a steady pace. Meanwhile, we are actively securing fresh financial resources and at the same time looking for new investment and growth opportunities through a strategy of business diversification.

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 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 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 2019, the Group's bank borrowings were based on floating interest rates which are still at a relatively low level because the banks in Hong Kong have sufficient capital and strong liquidity. 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 used in due course against the interest rate risks caused by HKD-denominated borrowings which are based on floating interest rates.

### **Commitments**

Except for operating lease commitments in respect of land and buildings amounting to approximately HK\$438,000, the Group had no other commitment as at 31 December 2019 (30 June 2019: HK\$2,115,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Material acquisitions and disposals**

The Group did not have any material acquisitions and disposals of subsidiaries during the six month ended 31 December 2019.

### **Employees and remuneration policy**

The Group had 19 employees as at 31 December 2019 (30 June 2019: 24). 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 2019. During the period, the staff cost (including directors' remunerations) amounted to approximately HK\$8,000,000 (2018: HK\$9,833,000). 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 53,000,000 share options outstanding under the share option scheme as at 31 December 2019 (30 June 2019: 62,000,000).

### **Contingent liabilities**

The Group did not have contingent liabilities as at 31 December 2019.

## 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 2019, the interests and short positions of each 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 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 ordinary shares held as at 31 December 2019					Approximate percentage of issued share capital	
		Number of underlying shares of the Company	Personal/beneficial interest	Corporate interest	Family interest	Other interest		
Mr. Ke Jun Xiang	1	12,000,000	690,000,000	132,400,000	125,840,000	-	960,240,000	18.46%
Mr. Wilson Wong		-	108,180,000	-	-	-	108,180,000	2.08%
Ms. Lo Yuen Chung	2	7,000,000	-	-	-	-	7,000,000	0.13%
Mr. Chow Yeung Tuen, Richard	2	7,000,000	-	-	-	-	7,000,000	0.13%
Mr. Li Chung Kai, Philip	2	5,000,000	-	-	-	-	5,000,000	0.10%
Mr. Chan Siu Kay	2	9,000,000	-	-	-	-	9,000,000	0.17%
Dr. Chow Ho Wan, Owen		-	2,260,000	-	-	-	2,260,000	0.04%

## SUPPLEMENTARY INFORMATION

### Notes:

1. Mr. Ke Jun Xiang held 12,000,000 underlying ordinary shares of the Company pursuant to share options granted by the Company. In addition to his personal interest of 690,000,000 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 960,240,000 ordinary shares of the Company.
2. Each of these directors respectively held underlying ordinary shares of the Company pursuant to share options granted by the Company.

### 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 2019				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	0.23%

### 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 2019, 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 year 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 2019, 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 underlying shares of the Company	Number of ordinary shares held as at 31 December 2019				Total	Approximate percentage of issued share capital
		Personal/beneficial Interest	Corporate interest	Family interest	Other interests		
Ms. Wang Jian Ping (note)	12,000,000	-	125,840,000	822,400,000	-	960,240,000	18.46%
Vigo Hong Kong Investment Limited	-	867,000,000	-	-	-	867,000,000	16.67%

*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 690,000,000 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 960,240,000 ordinary shares of the Company.

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.



## 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 2019				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	0.23%

*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 2019, 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 2019 are set out below:

Category of participants	Date of grant	Exercise Period	Exercise price	Outstanding balance at 1 July 2019	Granted during the six months ended 31 December 2019	Forfeiture during the six months ended 31 December 2019	Outstanding balance at 31 December 2019
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
				<u>49,000,000</u>	<u>-</u>	<u>(9,000,000)</u>	<u>40,000,000</u>
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	21 December 2012	21 December 2012 to 26 June 2021	HK\$0.25	2,000,000	-	-	2,000,000
				<u>13,000,000</u>	<u>-</u>	<u>-</u>	<u>13,000,000</u>
				<u>62,000,000</u>	<u>-</u>	<u>(9,000,000)</u>	<u>53,000,000</u>

## SUPPLEMENTARY INFORMATION

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

Neither the Company, nor any subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2019.

### **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 has complied with the CG Code during the six months ended 31 December 2019, 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 due to the resignation of the former CEO from the position.

## SUPPLEMENTARY INFORMATION

On 1 July 2019, Mr. Kwok Yam Sheung (Mr. "Kwok") resigned as an independent non-executive director of the Company. Meanwhile, Mr. Kwok also ceased to be chairman of Remuneration Committee, member of Audit Committee and Nomination Committee. As there was no immediate replacement to fill the vacancy of Mr. Kwok, the Company had (i) only two independent non-executive directors, which resulted in the number of independent non-executive directors falling below the minimum number required under Rule 3.10(1) of the Listing Rules or one-third of the board as required under Rule 3.10A of the Listing Rules; (ii) only two members of Audit Committee, which resulted in the number of members of Audit Committee falling below the minimum number required under Rule 3.21 of the Listing Rules; and (iii) no Chairman of Remuneration Committee, which did not comply with Rule 3.25 of the Listing Rules. These situations were rectified when Dr. Chow Ho Wan, Owen was appointed as an independent non-executive director of the Company on 30 September 2019.

The Company announced on 27 September 2019, stating its inability to comply with Rule 13.49 of the Listing Rules to publish its annual results for the year ended 30 June 2019 ("2019 Annual Results") no later than three months after the financial year end by 30 September 2019. At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 2 October 2019 pending the release of the 2019 Annual Results. Subsequent to the publication of the 2019 Annual Results on 15 November 2019, trading in the shares of the Company was resumed on 18 November 2019.

## 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 2019. 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 2019 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 2020