CIL Holdings Limited
華建控股有限公司 *

(Incorporated in Bermuda with limited liability)
(Stock code: 00479)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2006

RESULTS

The Board of Directors (the "Board") of CIL Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (herein collectively referred to as the "Group") for the year ended 30 June 2006 together with the comparative figures for 2005 as follows:

Consolidated Income Statement

For the year ended 30 June 2006

	Note	2006 HK$'000	2005 HK$'000
Turnover	3	**210,161**	121,287
Cost of sales		**(201,095)**	(117,448)
Gross profit		**9,066**	3,839
Other income	4	**4,389**	4,177
Amount recovered from litigation		**–**	42,446
Litigation expenses		**–**	(22,179)
Impairment loss recognized in respect of investment in securities		**–**	(2,056)
Impairment loss recognized in respect of prepaid consideration for acquisition of further interest in a subsidiary		**–**	(14,200)
Write-off of amount due to winding up subsidiaries		**26,246**	–
Provision for disputed claims against the Group for outstanding loan	5	**(43,692)**	–
Allowance for doubtful debts		**(99,808)**	(370)
Administrative expenses		**(16,880)**	(17,863)
Finance costs	6	**(1,769)**	(1,230)
Loss before taxation	7	**(122,448)**	(7,436)
Taxation	8	**–**	–
Loss for the year		**(122,448)**	(7,436)
Attributable to:			
Equity holders of the company	9	**(122,448)**	(7,436)
Minority interest		**–**	–
		(122,448)	(7,436)
Loss per share	10		
– Basic		**(1.98) cents**	(0.12) cents
– Diluted		**N/A**	N/A
Dividends	11	**Nil**	Nil

Consolidated Balance Sheet

As at 30 June 2006

	Note	**2006**	2005
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**970**	488
Investment in associates		**–**	–
Available-for-sale investment		**8,000**	–
Investments in securities		**–**	8,000
		8,970	8,488
Current assets			
Prepayments, deposits and other receivables		**1,028**	142,482
Inventories		**15,872**	9,341
Accounts receivable	12	**7,527**	6,789
Bank balances and cash		**24,089**	1,023
		48,516	159,635
Current liabilities			
Accounts and bills payable	13	**28,354**	20,662
Accruals, deposits received and other payable		**77,563**	50,219
Interest payable of unsecured borrowings		**18,627**	18,627
Discounted bills		**2,658**	–
Due to winding up subsidiaries		**11,982**	38,228
Interest-bearing borrowings		**23,907**	29,131
Due to directors		**20,614**	15,027
		183,705	171,894
Net current liabilities		**(135,189)**	(12,259)
Total assets less current liabilities		**(126,219)**	(3,771)
Capital and reserves			
Issued capital		**61,749**	61,749
Reserves		**(187,968)**	(65,520)
		(126,219)	(3,771)

Notes to the Financial Statements

For the year ended 30 June 2006

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 30 June 2006. The Group incurred loss of HK$122,448,000 (2005: 7,436,000) for the year ended 30 June 2006, and as at that date, it had consolidated net current liabilities and consolidated net liabilities of HK$135,189,000 (2005: HK$12,259,000) and HK$126,219,000 (2005: HK$3,771,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(i) the Company has entered into loan agreements with third parties subsequent to the balance sheet date. Net proceeds of approximately HK$6 million has been received;

(ii) the Group has been actively discussing with prospective investors to obtain new working capital;

(iii) the Company's controlling shareholder has agreed to provide financial support as is necessary to enable the Group to meet its liabilities as they fall due; and

(iv) based on a cash flow forecast prepared by the Group's management for the twenty-one months ending 31 December 2009, the Group will be able to generate adequate cash flows from its operation.

The ability to obtain new working capital from prospective investors is dependent on the approval by the Stock Exchange of any resumption proposal and the trading of the Company's shares on the Stock Exchange successfully resumed.

Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 30 June 2006 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the financial statements.

2. IMPACT OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs")

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new HKFRSs, HKASs and Interpretations that are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs which are pertinent to its operations and relevant to these financial statements.

–	HKAS 1	Presentation of Financial Statements
–	HKAS 2	Inventories
–	HKAS 7	Cash Flow Statements
–	HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors
–	HKAS 10	Events after the Balance Sheet Date
–	HKAS 12	Income Taxes
–	HKAS 14	Segment reporting
–	HKAS 16	Property, Plant and Equipment
–	HKAS 17	Leases
–	HKAS 18	Revenue
–	HKAS 19	Employee Benefits
–	HKAS 21	The Effects of Changes in Foreign Exchange Rates
–	HKAS 23	Borrowing Costs
–	HKAS 24	Related Party Disclosures
–	HKAS 27	Consolidated and Separate Financial Statements
–	HKAS 28	Investments in Associates
–	HKAS 32	Financial Instruments: Disclosure and Presentation
–	HKAS 33	Earnings per Share
–	HKAS 36	Impairment of Assets
–	HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
–	HKAS 39	Financial Instruments: Recognition and Measurement
–	HKFRS 2	Share-based Payment

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 28, 33, 36 and 37 and HKFRS 2 have had no material impact on the Group's accounting policies and the methods of computation, presentation and disclosure in the Group's financial statements. The major effects on adoption of the other HKFRSs and HKASs are summarized as follows:

(a) The adoption of HKAS 1 requires the disclosure of judgments (apart from those involving estimations) and key assumptions concerning the future and other sources of estimation of uncertainty. These disclosures are detailed in the respective note to the financial statements.

(b) The adoption of HKAS 24 affects the identification of related parties and the disclosure of related party transactions.

(c) The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. HKAS 39 which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below.

The Group has applied the relevant transitional provisions of HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

On or before 30 June 2005, the Group classified and measured its investment in equity securities as investment securities, which are carried at cost less impairment losses (if any), in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" issued by the HKICPA. From 1 July 2005 onwards, the Group classifies and measures its investment in equity securities as "available-for-sale investment", which are carried at cost, as the equity securities do not have a quoted market price in an active market and whose fair value cannot be reliably measured, in accordance with HKAS 39. No adjustment on fair value of the equity securities has been required.

The Group has not early applied the following new HKFRSs that have been issued by the HKICPA but not yet effective. The Group has considered these standards and interpretations but does not expect that they will have a material effect on how the results of operation and financial position of the Group are prepared and presented.

–	HKAS 1 (Amendment)	Capital Disclosures[1]
–	HKAS 1 (Revised)	Presentation of Financial Statements[5]
–	HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
–	HKAS 21 (Amendment)	The effects of changes in foreign exchange rate – Net investment in a foreign operation[2]
–	HKAS 23 (Revised)	Borrowing costs[5]
–	HKAS 27 (Revised)	Consolidated and Separate Financial Statements[12]
–	HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
–	HKAS 39 (Amendment)	The Fair Value Option[2]
–	HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts[2]
–	HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[5]
–	HKFRS 3 (Revised)	Business Combinations[12]
–	HKFRS 6	Exploration for and evaluation of mineral resources[2]
–	HKFRS 7	Financial instruments: Disclosures[1]
–	HKFRS 8	Operating segments[5]
–	HK(IFRIC) – INT 4	Determining whether an arrangement contains a Lease[2]
–	HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
–	HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste, electrical and electronic equipment[3]
–	HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies[4]
–	HK(IFRIC) – INT 8	Scope of HKFRS 2[6]
–	HK(IFRIC) – INT 9	Reassessment of embedded derivatives[7]
–	HK(IFRIC) – INT 10	Interim financial reporting and impairment[8]
–	HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions[9]
–	HK(IFRIC) – INT 12	Service concession arrangements[10]
–	HK(IFRIC) – INT 13	Customer loyalty programmes[11]
–	HK(IFRIC) – INT14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[10]

[1] Effective for the annual periods beginning on or after 1 January 2007
[2] Effective for the annual periods beginning on or after 1 January 2006
[3] Effective for the annual periods beginning on or after 1 December 2005
[4] Effective for the annual periods beginning on or after 1 March 2006
[5] Effective for the annual periods beginning on or after 1 January 2009
[6] Effective for the annual periods beginning on or after 1 May 2006
[7] Effective for the annual periods beginning on or after 1 June 2006
[8] Effective for the annual periods beginning on or after 1 November 2006
[9] Effective for the annual periods beginning on or after 1 March 2007
[10] Effective for the annual periods beginning on or after 1 January 2008
[11] Effective for the annual periods beginning on or after 1 July 2008
[12] Effective for the annual periods beginning on or after 1 July 2009

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amount received and receivable for goods sold during the year.

(a) Business segments

The Group's turnover represents the revenue generated from the business of trading of multi-media and communication products. Accordingly, no business segment information is required.

(b) Geographical segments

	2006	2005
	HK$'000	*HK$'000*
Segment revenue by location of customers		
PRC, excluding Hong Kong	**98,805**	71,997
Hong Kong	**111,356**	49,290
	210,161	121,287
Segment assets by location of assets		
PRC, excluding Hong Kong	**32,835**	51,733
Hong Kong	**24,651**	116,390
	57,486	168,123
Capital expenditures by location of assets		
PRC, excluding Hong Kong	**536**	114
Hong Kong	**186**	64
	722	178

4. Other income

	2006	2005
	HK$'000	*HK$'000*
Interest income	**32**	3
Commission income	**3,649**	4,061
Gain on exchange difference	**690**	40
Others	**18**	73
	4,389	4,177

5. PROVISION FOR DISPUTED CLAIMS AGAINST THE GROUP FOR OUTSTANDING LOAN

The amount is in respect of the balance of disputed claims against the Group for outstanding loan. The creditors claimed repayments of the loans together with the interest of approximately HK$78 million. The amount of HK$34.7 million had been provided for in the financial statements in prior years. Provision for the balance of the dispute claims of HK$43,692,000 was made in the financial statements for the year ended 30 June 2006.

6. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interests on:		
Bank loans, bills and overdrafts wholly repayable within five years	**1,248**	675
Other borrowing costs	**521**	555
	1,769	1,230

7. LOSS BEFORE TAXATION

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

	2006	2005
	HK$'000	*HK$'000*
Cost of goods sold and services provided	**201,095**	117,448
Staff costs (including directors' emoluments)	**11,652**	11,553
Pension scheme contributions	**92**	84
Auditors' remuneration		
– audit services		
– current year	**440**	412
– overprovision for prior years	**(100)**	–
Depreciation	**240**	134
Operating lease rentals in respect of land and buildings	**929**	529

8. TAXATION

No provision for Hong Kong profits tax and overseas income tax has been made in the financial statements since there is no estimated assessable profit derived from Hong Kong and overseas for the year (2005: Nil).

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss attributable to equity holders of the Company includes a loss of approximately HK$128,900,000 (2005: HK$9,344,000) which has been dealt with in the financial statements of the Company for the year ended 30 June 2006.

10. LOSS PER SHARE

The calculation of basic loss per share for the year ended 30 June 2006 is based on the loss attributable to shareholders of approximately HK$122,448,000 (2005: loss of HK$7,436,000) and 6,174,917,000 (2005: 6,174,917,000) ordinary shares in issue during the year.

Diluted loss per share was not presented as there was no dilutive potential ordinary share in issue for the years ended 30 June 2006 and 2005.

11. DIVIDENDS

No dividend was paid or proposed for the year ended 30 June 2006 (2005: nil), nor has any dividend been proposed since the balance sheet date.

12. ACCOUNTS RECEIVABLE

All of the accounts receivable are stated net of provision of bad and doubtful debts and are expected to be recovered within one year. The aging analysis is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0-90 days	**7,513**	6,762
91-180 days	**1**	–
Over 180 days	**13**	27
	7,527	6,789

13. ACCOUNTS AND BILLS PAYABLE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Accounts payable	**16,429**	7,241
Bills payable, secured	**11,925**	13,421
	28,354	20,662

All of the accounts payable are expected to be settled within one year. The aging analysis is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0-90 days	**16,258**	7,101
91-180 days	**2**	–
Over 180 days	**169**	140
	16,429	7,241

14. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the presentation of current period.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following paragraphs are extracted from the independent auditor's report:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Company and the Group's affairs as at 30 June 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion we draw your attention to Note 3 to the financial statements concerning the adoption of going concern basis on which the financial statements have been prepared. As further explained in the notes, the financial statements of the Group have been prepared on a going concern basis, notwithstanding that the Group incurred a loss of HK$122,448,000 during the year ended 30 June 2006 and, as at that date, the Group reported consolidated net current liabilities and consolidated net liabilities of HK$135,189,000 and HK$126,219,000 respectively. These *conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the continual financial support from the controlling shareholder in order to finance the Group's future working capital and financial requirements and the Group's ability to obtain new working capital from prospective investors and to generate adequate cash flows from its operation in the foreseeable future. The consolidated financial statements do not include any adjustment that would result from a failure to obtain such financial support and working capital. We consider that adequate disclosures have been made.*

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

The Group recorded a consolidated turnover of HK$210,161,000, an increase of 73.3% over last year. Loss attributed to shareholders has increased to HK$122,448,000 as compared to HK$7,436,000 of last year, representing loss per share of HK1.98 cents (2005: HK0.12 cents). Improving the financial condition of the Group continues to be the primary target of the management in the coming year.

Business review and outlook

During the year, the Company's principal activity continued to be investment holding whilst its major subsidiary is mainly engaged in trading of multi-media and communication products.

The management is working aggressively with financial advisors and lawyers on the resumption of trading of the company stocks on the Stock Exchange of Hong Kong. If the resumption is successful, the Group will consider acquiring additional capital to strengthen its financial base.

Other than its existing core business, the management will continue put its best effort to explore new businesses to enhance the value of the Group; to keep the operating expenses at the minimum level and to maintain the resources for future developments.

Liquidity and financial resources

As at 30 June 2006, the Group had net liabilities of HK$126.2 million comprising total assets of HK$57.5 million and total liabilities of HK$183.7 million. The current ratio, representing by current assets divided by current liabilities, was 0.26. The bank balances and cash at the balance sheet date was HK$24 million.

The Group will actively seek for financial resources and improve its capital structure so as to strengthen its financial base and will also restructure its existing operation to improve shareholder returns.

Foreign currency exposure

The Group did not have significant foreign currency exposure at the balance sheet date.

Material acquisitions and disposals of investments

During the year ended 30 June 2006, there were no material acquisitions or disposals of subsidiaries or affiliated companies.

Employees and remuneration policy

As at 30 June 2006, the number of staff employed by the Group was around 40 (2005: 50). There was no change on the staff policy during the year. They were remunerated according to the prevailing manpower conditions and individual performance.

Contingent Liabilities

As at 30 June 2006, the Group had no contingent liabilities (2005: HK$ 44 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

Commencing from 1 July 2005, the Company has adopted the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules"). Despite the fact that the Company has made effort to maintain proper corporate governance standard throughout the financial year, certain code provisions were not fully complied with. The material deviations are set out below:

(a) Under Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman of the Company is now performing both roles. The board will continue to review the management structure, taking into consideration and the nature and extent of the Group's operation.

(b) Under Code provision A.3.2, the Company should appoint independent non-executive directors representing at least one-third of the board. Subsequent to the resignation of one independent non-executive director during the financial year, out of the seven directors in the board, only two of them were independent non-executive directors and rule 3.10 of the Listing Rules, which requires the board of the Company must include at least three independent non-executive directors, was also not complied with.

(c) Under Code provision A.4.1, The non-executive directors should be appointed for a specific term, subject to re-election. Non-executive directors of the Company are not appointed for a specific term but are subject to retirement and re-election at the annual general meeting in accordance with the Company's Bye-Law.

(d) Under Code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. All directors of the Company are subject to retirement and re-election at the annual general meeting in accordance with the Company's Bye-Law.

(e) Under Code provision B.1.1 to B.1.5, remuneration committee has to be set up by the Company. The Company has not established a remuneration committee but will do so when the Company has appointed at least three independent non-executive directors.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the year ended 30 June 2006.

REVIEW OF RESULTS BY AUDIT COMMITTEE AND AUDITORS

The Audit Committee of the Company, currently comprises only 1 member who is an independent non-executive director of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's draft consolidated financial statements for the year ended 30 June 2006.

The figures in respect of this preliminary announcement of the Group's results for the year 30 June 2006 have been agreed by the Group's auditors, Graham H.Y. Chan & Co., to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Graham H.Y. Chan & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Graham H.Y. Chan & Co. on this preliminary announcement.

SUSPENSION OF TRADING

Dealing in the shares of the Company has been suspended since 1 April 2004. If the Company fails to take adequate action to meet the conditions for resumption as required and obtain a restoration of listing, the Stock Exchange may cancel the listing of the Company on 12 June 2008.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Group for the year ended 30 June 2006 containing all the information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
CIL Holdings Limited
Ke Jun Xiang
Chairman

Hong Kong, 27 May 2008

As at the date of this announcement, the executive directors of the Company are Mr. Ke Jun Xiang (Chairman), Mr. Ho Pui Tsun, Peter (Deputy Chairman), Mr. Shao Wei Hong and Mr. Hu Yeshan. The non-executive director is Mr. Li Qinyi and the independent non-executive director is Mr. Kwok Yam Sheung.

* *For identification purpose only*