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CIL Holdings Limited

華建控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00479)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

RESULTS

The board of directors (the “**Board**”) of CIL Holdings Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (herein collectively referred to as the “**Group**”) for the six months ended 31 December 2020 as follows:

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	<i>Note</i>	For the six months ended 31 December	
		2020 (unaudited) HK\$'000	2019 (unaudited) (restated) HK\$'000
Continuing operations:			
Revenue	5	3,599	29,783
Cost of goods sold		<u>(3,371)</u>	<u>(29,202)</u>
Gross profit		228	581
Other income	6	3,032	2,061
Other gains	7	4,459	4,903
Staff costs	8	(5,926)	(7,934)
Depreciation		(791)	(2,059)
Short-term lease expenses		(31)	(93)
Fair value (losses)/profits on investments at fair value through profit or loss, net	12	(164)	88
Reversal of impairment losses on loans and other receivable	9	–	617
Other expenses		(1,660)	(5,743)
Finance costs	10	<u>(5,926)</u>	<u>(7,084)</u>
Loss before taxation		(6,779)	(14,663)
Income tax expenses		<u>–</u>	<u>–</u>
Loss for the period from continuing operations	12	(6,779)	(14,663)
Discontinued operation:			
Profit for the period from discontinued operation	13	<u>93</u>	<u>1,218</u>

		For the six months ended 31 December	
		2020	2019
		(unaudited)	(unaudited)
			(restated)
	<i>Note</i>	HK\$'000	HK\$'000
Loss for the period		(6,686)	(13,445)
Other comprehensive profit/(loss) for the period:			
<i>Item may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation to operations outside Hong Kong		<u>160</u>	<u>(40)</u>
Total comprehensive loss for the period		<u>(6,526)</u>	<u>(13,485)</u>
(Loss)/profit for the period attributable to owners of the Company:			
– continuing operations	5	<u>(6,779)</u>	(14,570)
– discontinued operation		<u>93</u>	<u>1,218</u>
		<u>(6,686)</u>	<u>(13,352)</u>
Loss for the period attributable to non-controlling interests:			
– continuing operations		<u>–</u>	<u>(93)</u>
Total comprehensive (loss)/profit for the period attributable to owners of the Company:			
– continuing operations		<u>(6,619)</u>	(14,610)
– discontinued operation		<u>93</u>	<u>1,218</u>
		<u>(6,526)</u>	<u>(13,392)</u>
Total comprehensive loss for the period attributable to non-controlling interests:			
– continuing operations		<u>–</u>	<u>(93)</u>
(Loss)/earnings per share for loss attributable to owners of the Company			
– Basic and diluted			
– continuing operations (<i>in HK cents</i>)		<u>(0.13)</u>	(0.33)
– discontinued operation (<i>in HK cents</i>)		<u>–</u>	<u>0.03</u>
– continuing and discontinued operations (<i>in HK cents</i>)		<u>(0.13)</u>	<u>(0.30)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		As at	
		31 December 2020 (unaudited) <i>HK\$'000</i>	30 June 2020 (audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,326	4,161
Right-of-use assets		245	633
		1,571	4,794
Current assets			
Inventories		2,228	1,850
Loans receivable	16	22,687	21,492
Prepayments, deposits, interest and other receivables	17	26,608	24,164
Trade receivable	18	1,672	3,030
Investments at fair value through profit or loss		16,612	17,402
Bank balances and cash		81	378
		69,888	68,316
Current liabilities			
Trade payables	19	5,365	6,124
Accruals, deposits received, interest and other payables		28,876	18,491
Lease liabilities		426	771
Borrowings	20	78,927	83,333
		113,594	108,719
Net current liabilities		(43,706)	(40,403)
Net liabilities		(42,135)	(35,609)

		As at	
		31 December	30 June
		2020	2020
		(unaudited)	(audited)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves			
Issued capital	21	52,021	52,021
Reserves		<u>(92,152)</u>	<u>(85,626)</u>
Deficit attributable to owners of the Company		(40,131)	(33,605)
Non-controlling interests		<u>(2,004)</u>	<u>(2,004)</u>
Total deficit		<u>(42,135)</u>	<u>(35,609)</u>

NOTES:

1. CORPORATE INFORMATION

CIL Holdings Limited (the “**Company**”, together with its subsidiaries collectively referred to the “**Group**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Trading in the shares of the Company on the Stock Exchange has been suspended since 5 October 2020.

The principal activity of the Company is investment holding. Its principal subsidiaries are engaged into (i) distribution of server storage, multi-media and communication products in Hong Kong; (ii) distribution of rice cookers and household electrical appliances in the People’s Republic of China (the “**PRC**”); (iii) distribution of other products in Hong Kong; and (iv) investments in securities. The Company’s subsidiary did not renew its money lender license (“**Money Lender License**”) and ceased to be a licensed money lender in Hong Kong. Therefore, the Group classified the results of money lending business as discontinued operation and the comparative information for the six months ended 31 December 2019 has been restated. Details are set out in note 13.

The consolidated financial statements of the Group are presented in Hong Kong dollars (“**HKD**”), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except otherwise indicated.

2. BASIS OF PREPARATION

The Interim Financial Statement have been approved for issue by the Board on 24 March 2022 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 2020.

3. GOING CONCERN

Financial performance and position of the Group

During the six month ended 31 December 2020, the Group incurred a net loss of approximately HK\$6,686,000 (31 December 2019: HK\$13,445,000) and as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$42,135,000 (30 June 2020: HK\$35,609,000) and the Group’s current liabilities included current borrowings of approximately HK\$78,927,000 (30 June 2020: HK\$83,333,000), whereas the Group’s bank balances and cash amounted to approximately HK\$81,000 (30 June 2020: HK\$378,000) only.

As at 31 December 2020, the Group's borrowings with aggregate carrying amount of approximately HK\$74,107,000 (30 June 2020: HK\$73,171,000) were in default and no settlement agreement has been entered into. These borrowings comprise:

- (a) Bonds issued by the Company with aggregate carrying amount of HK\$22,721,000 (30 June 2020: HK\$21,996,000) (note 20(c));
- (b) Unsecured but guaranteed borrowings with aggregate carrying amount of HK\$30,000,000 (30 June 2020: HK\$30,000,000) and statutory demands have been served subsequently (note 20(b)(iii));
- (c) Secured but unguaranteed borrowings with aggregate carrying amount of HK\$6,214,000 (30 June 2020: HK\$6,214,000) (note 20(b)(ii));
- (d) Margin loans with aggregate carrying amount of HK\$14,872,000 (30 June 2020: HK\$14,661,000) (note 20(a)); and
- (e) Secured but unguaranteed borrowings with aggregate carrying amount of HK\$300,000 (30 June 2020: HK\$300,000) (note 20(b)(ii)).

The other loans as referred in note 20(b)(i) of approximately HK\$nil (30 June 2020: HK\$5,091,000), note 20(b)(ii) of approximately HK\$750,000 (30 June 2020: HK\$750,000) and note 20(b)(iii) of approximately HK\$2,500,000 (30 June 2020: HK\$2,500,000) were also in default as at 31 December 2020 and subsequent settlements have been made or extension agreements have been entered into after the end of the reporting period.

Subsequently, after the completion of enforcement of securities in relation to a loan receivable, Turbo Billion Investment Limited (“**Turbo Billion**”, together with its subsidiary, “**Turbo Billion Group**”) has become a subsidiary of the Company. Details are set out in note 16(b) and 23(b) to this announcement. Basing on the unaudited completion account of Turbo Billion Group as at 28 June 2021, Turbo Billion Group has made provision for outstanding claims of approximately HK\$191,342,000 as of that date. No subsequent settlement nor settlement agreement has been entered into for these claims as of the date of this announcement.

Resumption guidance

On 18 May 2020, the Company announced that they have received a letter dated 15 May 2020 from the Stock Exchange, which served as a notice pursuant to Rule 6.10 of the Listing Rules, that the Stock Exchange had decided to suspend trading in the shares of the Company under Rule 6.01(3) of the Listing Rules and proceed with cancellation of the Company's listing under Rule 6.01A of the Listing Rules (the “**Decision**”). The Company is required to submit a resumption proposal to demonstrate that it has a sufficient level of operations and assets as required by Rule 13.24 of the Listing Rules. If the Company fails to submit a viable resumption proposal, the Stock Exchange will proceed with cancellation of the Company's listing.

On 26 May 2020, the Company announced that they have filed an application for a review by the Listing Committee in relation to the Decision. On 16 September 2020, the Listing Committee held a review hearing of the Decision and remained concerned about the viability and sustainability of the Company's business and hence decided to uphold the Decision (the “**Listing Committee Decision**”).

On 28 September 2020, the Company announced that they have filed an application for a review by the Listing Review Committee in relation to the Listing Committee Decision.

On 30 September 2020, the Company was unable to publish the audited consolidated financial statements of the Group for the year ended 30 June 2020 and trading in the Company's shares has then been suspended since 5 October 2020.

On 29 December 2020, the Stock Exchange informed the Company of the following resumption guidance (the "**Initial Resumption Guidance**"):

- (a) to publish all outstanding financial results required under the Listing Rules and address any modifications; and
- (b) to demonstrate compliance with Rule 13.24 of the Listing Rules.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 4 April 2022. If the Company fails to remedy the issues causing its trading suspension, fulfil the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 4 April 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

On 29 January 2021, the Company received a letter from the Listing Review Committee that they had decided to uphold the Listing Committee Decision.

On 30 November 2021, the Company announced that one of the Independent Non-Executive Director ("**INED**") of the Company resigned. Following the resignation of the INED, the Company has 2 INEDs, 2 members of Audit Committee and no Chairman of Remuneration Committee, which does not comply with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules. On 3 December 2021, the Stock Exchange imposes the following additional resumption guidance (the "**Additional Resumption Guidance**", together with the Initial Resumption Guidance, the "**Resumption Guidance**") for the resumption of trading in the shares of the Company:

- (a) re-comply with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules.

These situations were rectified. On 3 March 2022, the Company announced that an INED was appointed. There are 3 INEDs, 3 members of Audit Committee and a Chairman of Remuneration Committee.

As of the date of this announcement, the Group is still finalising a resumption proposal with a will to submit resumption proposal in due course.

Material uncertainty related to going concern

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.

The directors of the Company consider that the Group should be able to maintain itself as a going concern in the foreseeable future and the preparation of the consolidated financial statements using going concern basis is appropriate as:

- (a) the Group has already made agreements with several lenders for borrowings that were default as at 31 December 2020 or subsequently became default to extend the repayment due date. Details are set out in note 20 to this announcement;
- (b) the Company has entered into a loan facility agreement with a third party on 11 February 2022 in the amount of up to HK\$100,000,000 for a term of 2 years. Details are set out in note 23(c) to this announcement;
- (c) the Company has already identified one potential business acquisition. If such potential business acquisition could be realised, sufficient profits and cash flows could be generated to the Group to settle its liabilities;
- (d) the Company is planning to place new shares to potential investors to finance the above-mentioned potential business acquisition; and
- (e) the directors of the Company prepared a working capital forecast for a period ending on 30 June 2023, which have taken into consideration of the Group's financial performance, working capital, liquidity position and the above-mentioned potential business acquisition and financing sources, and considered that the Group has sufficient working capital for the coming 12 months from the date of this announcement.

Should the 2-year loan, the potential business acquisition and the placing of shares not be materialised timely, the Group may not have sufficient working capital 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 and non-current liabilities as current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

4. ADOPTION OF NEW STANDARD, AMENDMENTS TO STANDARDS AND INTERPRETATION

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time in the current period:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods/years and/or on the disclosures set out in these consolidated financial statements.

New standard, amendments to standards and interpretations which are not yet effective

The following new standard, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2021 or later periods but which the Group has not early adopted:

HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) ⁶
Amendments to HKAS 1 and HKFRSs Practice Statement 2	Disclosure of Accounting Policies ⁶
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	COVID-19 Related Rent Concessions ¹
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle ³
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ³

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 April 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the adoption of new standard, amendments to standards and interpretations will have no material impact on the Group's consolidated financial statements.

5. REVENUE AND SEGMENT INFORMATION

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
		(restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue from contracts with customers from continuing operations</i>		
Revenue from distribution of:		
– server storage, multi-media and communication products	3,599	20,127
– rice cookers and household electrical appliances	–	2,304
– other products (including building materials, commodity products and automotive components)	–	7,352
	<u>–</u>	<u>7,352</u>
Total revenue from continuing operations	<u>3,599</u>	<u>29,783</u>
<i>Revenue from other sources from discontinued operation</i>		
Interest income from money lending operations	<u>143</u>	<u>1,202</u>
Total revenue from discontinued operation (note 13)	<u>143</u>	<u>1,202</u>
Total revenue from continuing and discontinued operations	<u><u>3,742</u></u>	<u><u>30,985</u></u>

(i) **Disaggregated revenue information from contracts with customers**

For the six months ended 31 December 2020

Segments	Distribution of			Total <i>HK\$'000</i>
	Server storage, multi-media and communication products <i>HK\$'000</i>	Rice cookers and household electrical appliances <i>HK\$'000</i>	Other products <i>HK\$'000</i>	
Geographical markets				
Hong Kong	3,599	–	–	3,599
PRC	–	–	–	–
	<u>3,599</u>	<u>–</u>	<u>–</u>	<u>3,599</u>
Timing of revenue recognition				
At a point in time	<u>3,599</u>	<u>–</u>	<u>–</u>	<u>3,599</u>

For the six months ended 31 December 2019

Segments	Distribution of			Total <i>HK\$'000</i>
	Server storage, multi-media and communication products <i>HK\$'000</i>	Rice cookers and household electrical appliances <i>HK\$'000</i>	Other products <i>HK\$'000</i>	
Geographical markets				
Hong Kong	20,127	–	7,352	27,479
PRC	–	2,304	–	2,304
	<u>20,127</u>	<u>2,304</u>	<u>7,352</u>	<u>29,783</u>
Timing of revenue recognition				
At a point in time	<u>20,127</u>	<u>2,304</u>	<u>7,352</u>	<u>29,783</u>

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Sales of server storage, multi-media and communication products, rice cookers and household electrical appliances and other products

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised at a point in time basis upon when the customers accepted the products. There is generally only one performance obligation.

Segment information

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.

For the six months ended 31 December 2020, the Group has four (2019: five) reportable operating segments for continuing operations. Details are as follows:

- (i) distribution of server storage, multi-media and communication products in Hong Kong;
- (ii) distribution of rice cookers and household electrical appliances in the PRC;
- (iii) distribution of other products (including building materials, commodity products and automotive components) in Hong Kong; and
- (iv) investments in securities segment engages primarily in the purchase and sale of securities and the holding of equity investments primarily for dividend income and capital appreciation.

During the six months ended 31 December 2020, the Company's subsidiary did not renew its Money Lender License and ceased to be a licensed money lender in Hong Kong. Therefore, the Group classified the results of money lending business as discontinued operation and the comparative segment information for the six months ended 31 December 2019 has been restated.

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/loss incurred by each operating segment without allocation of central administration expenses (unallocated corporate expenses), interest income, unallocated finance costs and income tax credit. 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 tax recoverable and unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than current tax liabilities and unallocated corporate liabilities.

Segment revenue and results

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

	Segment revenue		Segment results	
	for the six months ended		for the six months ended	
	31 December		31 December	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Distribution of:				
– server storage, multi-media and communication products	3,599	20,127	(548)	(931)
– rice cookers and household electrical appliances	–	2,304	(23)	100
– other products	–	7,352	(5)	366
Investment in securities	–	–	(1,006)	(681)
Total segment revenue/results from continuing operations	<u>3,599</u>	<u>29,783</u>	<u>(1,582)</u>	<u>(1,146)</u>

Reconciliation of segment results to consolidated loss before taxation

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
		(restated)
	HK\$'000	HK\$'000
Total segment results	(1,582)	(1,146)
Interest income	2,977	2,061
Unallocated finance costs	(4,999)	(6,038)
Unallocated depreciation	(790)	(2,038)
Unallocated staff costs	(5,274)	(7,288)
Unallocated other gains	4,459	4,903
Unallocated reversal of impairment loss on loans and other receivables	–	617
Unallocated corporate expenses	(1,570)	(5,734)
Consolidated loss before taxation from continuing operations	(6,779)	(14,663)
Profit before taxation from discontinued operation	93	1,218
Loss before taxation	(6,686)	(13,445)

Segment assets and liabilities

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

	31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
Segment assets		
Distribution and trading of:		
– server storage, multi-media, communication products	3,920	5,035
– rice cooker and household electrical appliances	2,039	21,120
– other products	–	–
Investment in securities	16,612	17,403
Money lending (discontinued)	4,485	4,277
	<hr/>	<hr/>
Total segment assets	27,056	47,835
Unallocated corporate assets	44,403	25,275
	<hr/>	<hr/>
Total assets	<u>71,459</u>	<u>73,110</u>
Segment liabilities		
Distribution and trading of:		
– server storage, multi-media, communication products	6,467	12,524
– rice cooker and household electrical appliances	67	32
– other products	404	–
Investment in securities	14,915	14,743
Money lending (discontinued)	632	747
	<hr/>	<hr/>
Total segment liabilities	22,485	28,046
Unallocated corporate liabilities	91,109	80,673
	<hr/>	<hr/>
Total liabilities	<u>113,594</u>	<u>108,719</u>

Other segment information

	Depreciation and amortization		(Impairment losses)/ reversal of impairment losses on loans and other receivables		Fair value losses on investments at fair value through profit or loss		Finance costs		Capital expenditures		Other gain or losses	
	for the six months ended 31 December		for the six months ended 31 December		for the six months ended 31 December		for the six months ended 31 December		for the six months ended 31 December		for the six months ended 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:												
Distribution of:												
- server storage, multi-media, communication products	(1)	(21)	-	-	-	-	(92)	(311)	-	-	-	-
- rice cooker and household electrical appliances	-	-	-	-	-	-	-	-	-	-	-	-
- other products	-	-	-	-	-	-	-	-	-	-	-	-
Investment in securities	-	-	-	-	(164)	99	(835)	(735)	-	-	-	-
Unallocated	(790)	(2,038)	-	617	-	-	(4,999)	(6,038)	-	-	4,459	4,903
	(791)	(2,059)	-	617	(164)	88	(5,926)	(7,084)	-	-	4,459	4,903
Discontinued operation:												
Money lending (note 13)	-	-	-	509	-	-	-	-	-	-	-	-
Total	(791)	(2,059)	-	1,126	(164)	88	(5,926)	(7,084)	-	-	4,459	4,903

Information about major customers

Revenue from each of the following single external customers for the six months ended 31 December 2020 and 2019 accounted for more than 10% of the total revenue of the Group from continuing operations are as follows:

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Customer A	–	7,352
Customer B	–	8,296
Customer C	1,927	11,558
Customer D	1,209	–
Customer E	463	–

Sales to Customer A relate to distribution of other products.

Sales to Customer B, C, D and E relate to distribution of server storage, multi-media and communication products.

Geographical information

The Group's operations are located in Hong Kong and other parts of the PRC, 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 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:

	Revenue from external customers from continuing operations		Non-current assets	
	For the six months ended		As at	
	31 December		31 December	30 June
	2020	2019	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(audited)
		(restated)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and other parts of the PRC (place of domicile)	<u>3,599</u>	<u>29,783</u>	<u>1,571</u>	<u>4,794</u>

6. OTHER INCOME

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
		(restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income derived from:		
– other loan receivable	2,663	2,060
Others	<u>369</u>	<u>1</u>
	<u>3,032</u>	<u>2,061</u>

7. OTHER GAINS

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on extinguishment of a portion of borrowings	–	2,963
Gain modification of borrowings	–	1,940
Gain on disposal of property, plant and equipment	4,458	–
Written off on right of use assets and lease liabilities	<u>1</u>	<u>–</u>
Other gains from continuing operations	<u>4,459</u>	<u>4,903</u>

8. STAFF COSTS

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
		(restated)
	HK\$'000	HK\$'000
Directors' emoluments	2,985	4,315
Other staff costs:		
Salaries, commission, bonus and other benefits	2,878	3,523
Retirement benefits scheme contributions	63	96
	<hr/>	<hr/>
Staff costs from continuing operations	5,926	7,934
	<hr/>	<hr/>
Staff costs from discontinued operations:		
Salaries, commission, bonus and other benefits	–	63
Retirement benefits scheme contributions	–	3
	<hr/>	<hr/>
Staff costs from discontinued operation (<i>note 13</i>)	–	66
	<hr/>	<hr/>
Total staff costs from continuing and discontinued operations	5,926	8,000
	<hr/> <hr/>	<hr/> <hr/>

9. REVERSAL OF IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
		(restated)
	HK\$'000	HK\$'000
(Impairment losses)/reversal of impairment losses from continuing operations:		
in respect of other receivables:		
– Stage 1	–	816
– Stage 3	–	315
	<u>–</u>	<u>1,131</u>
in respect of loans receivables:		
– Stage 3	–	(301)
	<u>–</u>	<u>–</u>
Total reversal of impairment losses of loans and other receivables from continuing operations	<u>–</u>	<u>830</u>
Reversal of impairment losses from discontinued operation in respect of loans receivables:		
– Stage 3	–	296
	<u>–</u>	<u>296</u>
Total reversal of impairment losses of loans and other receivables from discontinued operation (<i>note 13</i>)	<u>–</u>	<u>296</u>
Total reversal of impairment losses of loans and other receivables from continuing and discontinued operations	<u><u>–</u></u>	<u><u>1,126</u></u>

10. FINANCE COSTS

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Discounting charge on factoring loans and interest on bank overdraft	–	1
Margin loan interest expenses	835	735
Other loan interest expenses	4,355	5,654
Bonds interest expenses	724	666
Interest expenses on lease liabilities	10	28
Others	2	–
	<u>5,926</u>	<u>7,084</u>

11. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made for the six months ended 31 December 2020 and 2019 as the Group did not have assessable profits in Hong Kong for both periods.

No provision for PRC Enterprise Income Tax has been made for the six months ended 31 December 2020 and 2019 as the Group did not have assessable profits in the PRC for both periods.

12. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Fair value losses/(gains) on investments at fair value through profit or loss:		
– realised gains, net	(107)	(143)
– unrealised losses, net	271	55
	<u>164</u>	<u>(88)</u>
Cost of sales:		
– cost of inventories recognised as expenses in cost of sales	3,371	29,202
Depreciation	791	2,059
Legal, professional and consultancy expenses	682	2,412
Net foreign exchange profits	(1,637)	(171)

13. DISCONTINUED OPERATION

Money lending business

During the period ended 31 December 2020, the Company's subsidiary did not renew its Money Lender License and ceased to be a licensed money lender in Hong Kong. Therefore, the Group classified the results of money lending business as discontinued operation in the consolidated statement of profit or loss and other comprehensive income. Details are set out as follows:

	For the six months ended	
	31 December	
	2020	2019
	(unaudited)	(unaudited)
		(restated)
	HK\$'000	HK\$'000
Profit for the period from discontinued operation:		
Revenue – interest income	<u>143</u>	<u>1,202</u>
Other income	–	1
Staff costs	–	(66)
Short-term leases expenses	(44)	(360)
Other operating expenses	(6)	(68)
Reversal of impairment losses of loans and other receivables	<u>–</u>	<u>509</u>
Profit before taxation	93	1,218
Income tax expenses	<u>–</u>	<u>–</u>
Profit for the period from discontinued operation, attributable to owners of the Company	<u><u>93</u></u>	<u><u>1,218</u></u>
Cash flows from discontinued operation:		
Net cash (used in)/generated from operating activities	<u>(6)</u>	<u>278</u>
Net cash (outflow)/inflow	<u><u>(1)</u></u>	<u><u>3</u></u>

14. 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\$6,619,000 (2019: HK\$14,610,000) and on the weighted average number of 5,202,145,846 (2019: 4,462,368,672) shares in issue during the period.

Basic and diluted loss per share from continuing operations for the both six months ended 31 December 2020 and 2019 were the same as the outstanding share options of the Company had no diluted effect due to the fact that the average market price of ordinary shares during that periods did not exceed the exercise price of the share options.

From discontinued operation

Basic and diluted loss per share for discontinued operations is based on the Group's profit from discontinued operation attributable to owners of the Company of approximately HK\$93,000 (2019: profit from discontinued operation attributable to owners of the Company: HK\$1,218,000) and the denominators detailed above for both basic and diluted earnings/loss per share.

15. DIVIDENDS

No dividend was paid or proposed for the six months ended 31 December 2020 (2019: nil), nor has any dividend been proposed since the end of the reporting period.

16. LOANS RECEIVABLE

		As at	
		31 December	30 June
		2020	2020
		(unaudited)	(audited)
	<i>Note</i>	HK\$'000	HK\$'000
Loans receivable arising from money lending business:			
– personal loans		3,960	3,985
– corporate loans		<u>8,788</u>	<u>9,208</u>
Gross carrying amount	(a)	12,748	13,193
Less: allowance for impairment loss		<u>(9,022)</u>	<u>(9,022)</u>
		<u>3,726</u>	<u>4,171</u>
Other loan receivable	(b)	20,959	19,319
Less: allowance for impairment loss		<u>(1,998)</u>	<u>(1,998)</u>
		<u>18,961</u>	<u>17,321</u>
		<u><u>22,687</u></u>	<u><u>21,492</u></u>

Notes:

- (a) The loans receivable arising from money lending business of the Group carry fixed contractual interest rates ranging from 15 to 20% (30 June 2020: 15 to 20%) per annum. The granting of these loans was 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 2020 and 30 June 2020, the Group does not hold any collateral or any credit enhancements over these balances.
- (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, payable half yearly, with original tenure of 5 years to 25 September 2019, which had been extended to 30 June 2020. Pursuant to the loan agreement, ShuiLiFang Loan was secured by a corporate guarantee executed by an independent third-party company and personal guarantees executed by individual shareholders of ShuiLiFang.

On 12 June 2020, a tri-party supplemental agreement has been entered into between the Company, ShuiLiFang and 廣州合道環保科技有限公司 (“**HeDao**”), pursuant to which 2 minority shareholders of HeDao, representing 49% of interest in HeDao aggregately, agreed to pledge the shares of HeDao held by them to the Company's subsidiary in the PRC to secure the outstanding balance and the Company agreed to extend the repayment of entire balance to 31 December 2020. Shares charge registration was completed on 28 June 2020 and hence, in addition to personal guarantees executed by individual shareholders of ShuiLiFang, ShuiLiFang Loan is also secured by shares of HeDao held by 2 minority shareholders as at 30 June 2020. During the six months ended 31 December 2020, ShuiLiFang has repeatedly delay in repaying interests and the Company has sent several overdue notices to ShuiLiFang to demand immediate repayment of the outstanding balance.

Subsequently, the Company has demanded ShuiLiFang to repay the entire balance but failed. On 10 May 2021, the Company, ShuiLiFang, HeDao and 2 minority shareholders of HeDao entered into a Deed, pursuant to which the ultimate holding company of HeDao (the “**Chargor**”) agreed that its entire share in Turbo Billion Investment Limited, an immediate holding company of HeDao (“**Charged Share**”) and the shareholder loan (“**Charged Loan**”) was used to repay the ShuiLiFang Loan. On 13 May 2021, the Chargor charged the Charged Share under a share charge (the “**Share Charge**”) in favour of the Company and assigned the Charged Loan under an assignment of Charged Loan (the “**Assignment**”) to the Company. On 28 June 2021, the Company enforced the securities constituted under the Share Charge and the Assignment of Charged Loan by appropriating the Charged Share and the Charged Loan and the loan and interests due and payable by ShuiLiFang to the Company as of 28 June 2021 in the same amount under the Loan Agreement are then discharged.

As at 31 December 2020, the outstanding principal amount of ShuiLiFang Loan and its interest receivable (before impairment) are set out as follows:

	As at	
	31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
Principal before capitalization of interest receivable	17,321	16,451
Capitalisation of interest receivable to principal	<u>1,640</u>	<u>2,868</u>
Principal balance outstanding	18,961	19,319
Interest receivable (note 17)	<u>2,914</u>	<u>251</u>
	<u><u>21,875</u></u>	<u><u>19,570</u></u>

17. PREPAYMENTS, DEPOSITS, INTEREST AND OTHER RECEIVABLES

		As at	
		31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
	Note		
Rental deposits		199	314
Deposit paid to secure an agency agreement	(a)	20,000	20,000
Purchase deposits		2,033	1,856
Other loan interest receivable (note 16(b))		2,914	251
Proceeds receivable arising from disposal of intangible assets	(b)	2,300	2,300
Others		<u>117</u>	<u>398</u>
		27,563	25,119
Less: allowance for impairment loss		<u>(955)</u>	<u>(955)</u>
		<u><u>26,608</u></u>	<u><u>24,164</u></u>

Notes:

- (a) As at 31 December 2020, the amount represents a deposit of HK\$20,000,000 (30 June 2020: 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 by several supplemental agreements made in previous years and during the year. Subsequently, the Company and the supplier further entered into a supplemental agreement to extend the term to 30 November 2022.

Pursuant to the agency agreement and as supplemented by 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.

- (b) The amount represented the proceeds receivable arising from the transfer of distribution rights in sports car to a third party. Subsequently, the balance has been fully received by the Company.

18. TRADE RECEIVABLE

	As at	
	31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
Trade receivable	<u>1,672</u>	<u>3,030</u>

The Group's trading terms with its customers are mainly on open account terms. The credit period is generally for a period of up to nil days (30 June 2020: 45 days). The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing and their carrying amounts approximate to their fair values.

The following is an ageing analysis of trade receivable, based on invoice date, at the end of the reporting period:

	As at	
	31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
31-60 days	1,672	-
Over 60 days	-	3,030
	<u>1,672</u>	<u>3,030</u>

19. TRADE PAYABLES

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

	As at	
	31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
31-60 days	1,521	–
Over 60 days	<u>3,844</u>	<u>6,124</u>
	<u>5,365</u>	<u>6,124</u>

20. BORROWINGS

		As at	
	Note	31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
Bank overdraft, unsecured and unguaranteed		–	451
Margin loans, secured but unguaranteed	(a)	14,872	14,661
Other loans	(b)	41,334	46,225
Bonds, unsecured and unguaranteed	(c)	<u>22,721</u>	<u>21,996</u>
		78,927	83,333
Less: amount classified as current liabilities		<u>(78,927)</u>	<u>(83,333)</u>
Amount classified as non-current liabilities		<u>–</u>	<u>–</u>
Analysed as:			
Secured and guaranteed		–	5,091
Secured but unguaranteed		22,136	21,925
Unsecured but guaranteed		32,820	32,820
Unsecured and unguaranteed		<u>23,971</u>	<u>23,497</u>
		<u>78,927</u>	<u>83,333</u>

Bank overdraft, margin loans and other loans are repayable either on demand or within a period of not exceeding one year. The maturity terms of the bonds are analysed as follows as if the Company were not in default as at period end date:

	As at	
	31 December	30 June
	2020	2020
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Within one year	11,651	11,255
More than one year but not exceeding five years	11,070	10,741
	22,721	21,996

Borrowings are denominated in the following currencies:

	As at	
	31 December	30 June
	2020	2020
	(unaudited)	(audited)
	HK\$'000	HK\$'000
HKD	78,927	82,054
USD	–	1,279
	78,927	83,333

Notes:

(a) Margin loans, secured

Margin loans are variable-rate borrowings with effective interest rates ranging from 7.3% to 8.3% (30 June 2020: 7.3% to 8.3%) and are secured by the Group's listed equity investments with aggregate carrying amounts of approximately HK\$16,612,000 (30 June 2020: HK\$17,402,000).

As at 31 December 2020, the Group's margin loans were due to two financial institutions with aggregate carrying amounts of approximately HK\$14,872,000 (30 June 2020: HK\$14,661,000) which exceeded the marginable values of the Group's trading securities placed in these financial institutions. As of the date of this announcement, the marginable values of the Group's trading securities are still lower than the Group's margin loan payable.

(b) Other loans

(i) Secured and guaranteed borrowings

As at 31 December 2020, the secured and guaranteed borrowings represented the borrowings with carrying amount of approximately HK\$nil (30 June 2020: HK\$5,091,000) which was in default and the aggregate interest payables of these borrowings amounting to approximately HK\$nil (30 June 2020: HK\$475,000) was included in accruals, deposits received, interest and other payables in the consolidated statement of financial position.

During the six months ended 31 December 2020, the lender executed his rights to dispose the yacht of the Group at the consideration of HK\$5,400,000 and the Group paid the remaining interest payable in cash subsequently.

These borrowings carry interest of 1% per month and were secured by the yacht of the Group and corporate guarantee executed by a subsidiary of the Company as at 30 June 2020.

(ii) Secured but unguaranteed borrowings

Secured but unguaranteed borrowings with carrying amount of approximately HK\$6,214,000

On 24 September 2019, the Company announced that they had received a writ of summons issued by a lender against the Company to claim the outstanding balance of approximately HK\$24,887,000.

On 30 September 2019, the Company entered into a settlement agreement with the lender that the outstanding balance was agreed to be settled by instalments with final instalment falling due on or before 30 June 2020. A modification gain on borrowings of approximately HK\$2,625,000 was recognised in profit or loss for the year ended 30 June 2020.

On 3 October 2019, the Company announced that the lender and the Company jointly applied to the court on 2 October 2019 for a consent order whereby the lender is stipulated to wholly discontinue the court action against the Company.

On 11 November 2019, the Company entered into a supplemental settlement agreement with the lender that the outstanding balance of approximately HK\$23,554,000 was agreed to be settled by issuing 867,000,000 settlement shares of the Company and by cash settlement of approximately HK\$6,214,000 (the “**Cash Settlement**”) on or before 31 December 2019.

The settlement shares were issued on 5 December 2019 and a gain on extinguishment of a portion of borrowings by issuing settlement shares amounting to approximately HK\$3,257,000 was recognised in profit or loss for the year ended 30 June 2020. A modification loss on borrowings of approximately HK\$632,000 was recognised in profit or loss for the year ended 30 June 2020 as the Cash Settlement’s repayment due date was brought forward.

As of 31 December 2020, the outstanding balance has not yet been settled. Subsequent to the end of the reporting period, the Company has been informed that the lender was put into liquidation and the Cash Settlement was sold and assigned to another company by one of the joint and several liquidators of the lender. Up to the date of this announcement, the Cash Settlement has not yet been repaid and no extension agreement has been entered into.

Other secured but unguaranteed borrowings

As at 31 December 2020, other secured but unguaranteed borrowings comprise borrowings due to a connected person of approximately HK\$750,000 (30 June 2020: HK\$750,000) that was in default as at period end date and subsequently the lender agreed to extend the repayment due date to 31 March 2022 after a repayment of HK\$40,000, and borrowings of approximately HK\$300,000 (30 June 2020: HK\$300,000) that was in default as at period end date and no subsequent repayment or extension agreement has been entered into as of the date of this announcement.

As at 31 December 2020, the borrowings carried interest of 1% (30 June 2020: 1%) per month and additional 1% per month would be charged for default interest.

(iii) Unsecured but guaranteed borrowings

Unsecured but guaranteed borrowings with aggregate carrying amount of HK\$30,000,000

As at 31 December 2020, included in the Group's unsecured but guaranteed borrowings was the aggregate principal amount of HK\$30,000,000 (30 June 2020: HK\$30,000,000) ("**HK\$30m Loans**") which was in default as at reporting date, and the aggregate interest payables of HK\$30m Loans amounting to approximately HK\$9,646,000 (30 June 2020: HK\$6,148,000) was included in accruals, deposits received, interest and other payables in the consolidated statement of financial position.

On 3 February 2021, the Company announced that they have received letters from a solicitor acting on behalf of creditors claiming that three respective statutory demands under Section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) were served on the Company by such creditors to demand for total repayment, being outstanding principal and accrued interest, of approximately HK\$42,000,000.

Up to the date of this announcement, the HK\$30m Loan has not been settled and no extension agreement has been entered into.

These borrowings carry interest ranging from 30% to 36% (30 June 2020: 30% to 36%) per annum as at 31 December 2020. As at 31 December 2020 and 30 June 2020, these loans are secured by personal guarantees executed by Mr. Ke Jun Xiang and Mr. Wilson Wong, who are executive directors of the Company.

Other unsecured but guaranteed borrowings

As at 31 December 2020, other unsecured but guaranteed borrowings comprise borrowings of approximately HK\$2,500,000 (30 June 2020: HK\$2,500,000) that was in default as at reporting date and borrowings of approximately HK\$320,000 (30 June 2020: HK\$320,000) that has become default subsequently. As of the date of this announcement, the lender has agreed to extend the repayment due date of these borrowings to 31 March 2022. These borrowings carry interest at 2% per month (30 June 2020: 2%) and are secured by personal guarantees executed by Mr. Ke Jun Xiang and Mr. Wilson Wong, who are executive directors of the Company.

(iv) Unsecured and unguaranteed borrowings

As at 31 December 2020, included in unsecured and unguaranteed borrowings represented borrowings due to a connected person of approximately HK\$1,250,000 (30 June 2020: HK\$1,050,000). These borrowings carry interest at 2% per month and subsequently have become default. As of the date of this announcement, the connected person agreed to extend the repayment due date of these borrowings to 31 March 2022.

(c) Details of bonds are as follows:

	Maturity year	Principal <i>HK\$'000</i>	As at 31 December 2020 (unaudited) <i>HK\$'000</i>	30 June 2020 (audited) <i>HK\$'000</i>
Bond A, 7-years 7% coupon straight bonds	2021	10,000	11,651	11,255
Bond B, 8-years 6% coupon straight bonds	2022	<u>10,000</u>	<u>11,070</u>	<u>10,741</u>
		<u>20,000</u>	<u>22,721</u>	<u>21,996</u>

The Company placed two straight bonds with principal amount of HK\$10,000,000 each with maturity dates falling due in year 2021 and 2022 for Bond A and Bond B respectively. As at 31 December 2020, the carrying amounts of these bonds were approximately HK\$11,651,000 (30 June 2020: HK\$11,255,000) and HK\$11,070,000 (30 June 2020: HK\$10,741,000), respectively. The Company has not made full payment of interests to bond holders falling due in current period and subsequently. On 24 February 2022, the Company and Bond A holders entered into a supplemental bond agreement, agreed to extend the maturity date to year 2023. Please refer to note 23(e). This condition of Bond B may constitute an event of default under the bonds placing agreements. Bond B holders may exercise the rights to request the Group to repay the bond immediately and therefore all bonds are classified as current liabilities in the consolidated statement of financial position as at 31 December 2020.

21. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each		Nominal value	
	31 December 2020 (unaudited) '000	30 June 2020 (audited) '000	31 December 2020 (unaudited) HK\$'000	30 June 2020 (audited) HK\$'000
Authorised	<u>60,000,000</u>	<u>60,000,000</u>	<u>600,000</u>	<u>600,000</u>
Issued and fully paid:				
At beginning of period/year	5,202,146	4,335,146	52,021	43,351
Issue of settlement shares (<i>note</i>)	<u>–</u>	<u>867,000</u>	<u>–</u>	<u>8,670</u>
At end of period/year	<u>5,202,146</u>	<u>5,202,146</u>	<u>52,021</u>	<u>52,021</u>

Note:

During the year ended 30 June 2020, the Company and a lender entered into a supplemental agreement, pursuant to which, among other things, the Company agreed to settle partial balance of borrowings by issuing 867,000,000 settlement shares of the Company, whose market value was approximately HK\$13,005,000 at the issuance date. Please refer to note 20(b)(ii) above.

22. PLEDGE OF ASSETS

As at 31 December 2020, the Group's margin loans are secured by the Group's listed equity investments with aggregate carrying amount of approximately HK\$16,612,000 (30 June 2020: HK\$17,402,000).

As at 31 December 2020, the Group's other loans of approximately HK\$300,000 (30 June 2020: HK\$5,391,000) are secured by the Group's yacht with carrying amount of approximately HK\$nil (30 June 2020: HK\$1,089,000) and the Group's other loans of approximately HK\$750,000 (30 June 2020: HK\$750,000) are secured by the Group's motor vehicles with aggregate carrying amount of approximately HK\$473,000 (30 June 2020: HK\$597,000).

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group has the following events after the end of the reporting period:

- (a) On 3 February 2021, the Company announced that they have received letters from a solicitor acting on behalf of creditors claiming that three respective statutory demands were served on the Company by such creditors to demand for total repayment, being outstanding principal and accrued interest, of approximately HK\$42,000,000. Details are set out in note 3 and 20(b)(iii).
- (b) On 10 May 2021, the Company, ShuiLiFang, HeDao and 2 minority shareholders of HeDao entered into a Deed, pursuant to which the Chargor agreed that the Charged Share and the Charged Loan was used to repay the ShuiLiFang Loan. On 13 May 2021, the Chargor charged the Charged Share under the Share Charge and entered into the Assignment. On 28 June 2021, the Company enforced the securities constituted under the Share Charge and the Assignment of Charged Loan by appropriating the Charged Share and the Charged Loan and the loan and interests due and payable by ShuiLiFang to the Company as of 28 June 2021 in the same amount under the Loan Agreement are then discharged. Details are set out in note 16(b).
- (c) On 11 February 2022, the Company entered into a loan facility agreement with a third party in the amount of up to HK\$100,000,000 for a term of 2 years.
- (d) Subsequently, several of the Group's motor vehicles have been sold at the aggregate consideration of approximately HK\$3,120,000.
- (e) On 24 February 2022, the Company and bond holders for the 7-year 7% coupon straight bond entered into a supplement bond agreement, pursuant to which the bond holders agreed to extend the maturity date to year 2023. Details are set out in note 20(c).

24. COMPARATIVE AMOUNTS

As explained in note 13 to the announcement, money lending operation was classified as discontinued operations and 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 87.92% to approximately HK\$3,599,000 during the six months ended 31 December 2020 (2019 (restated): HK\$29,783,000).

The overall decrease was mainly due to the decrease in the trading of commodity products during the period. In the current period, revenue from the Group's core business of distribution and trading of server storage, multi-media, communication products, accounting for 100.00% (2019: 67.58%) of the total revenue from continuing operations, decreased by approximately HK\$16,528,000 (2019: increased by approximately HK\$9,589,000). No revenue from sales of goods from distribution and trading of rice cookers (2019: HK\$2,304,000 or 7.74%) and other products including building materials, commodity products and automotive components) (2019: HK\$7,352,000 or 24.69%).

Cost of goods sold for the six months ended 31 December 2020 was approximately HK\$3,371,000 (2019: HK\$29,202,000). Despite that gross profit margin increased to 6.34% (2019 (restated): 1.95%), total gross profit was only approximately HK\$228,000 (2019 (restated): HK\$581,000), representing a decrease of 60.76% as a result of the drop in total revenue for the period.

The Group earned other income of approximately HK\$3,032,000 (2019 (restated): HK\$2,061,000) which was mainly due to interest income derived from other loans receivable.

For the period, other gains accounting for approximately HK\$4,459,000 (2019: HK\$4,903,000) mainly due to gain on disposal of property, plant and equipment. In the corresponding period of last financial year, the other gains, in which approximately HK\$2,963,000 was due to gain on extinguishment of other loan and approximately HK\$1,940,000 was arising from modification of borrowings.

The Group continued to engage in investment in listed securities in Hong Kong. Net fair value losses of approximately HK\$164,000 for the six months ended 31 December 2020 was recorded due to the volatility of the stock market (2019: Net fair value gain of HK\$88,000).

Staff costs for the period decreased to approximately HK\$5,926,000 (2019 (restated): HK\$7,934,000). Other operating expenses, comprising selling and distribution costs, other overheads and miscellaneous administrative costs, amounted to approximately HK\$1,660,000 (2019 (restated): HK\$5,743,000). The decrease in the operating expenses was due to the increase in net foreign exchange gain of approximately HK\$1,636,000 for this period. (2019: exchange loss of approximately HK\$171,000). The operating expenses would be approximately HK\$3,296,000 if the net foreign exchange gain is classified as other gains. Regarding depreciation charge for property, plant and equipment, the amount was approximately HK\$791,000 (2019: HK\$2,059,000). Besides, operating lease expenses was reduced to approximately HK\$31,000 (2019 (restated): HK\$93,000). Finance costs, including interest expenses on margin loan, bonds, other loans and lease, decreased to approximately HK\$5,926,000 (2019: HK\$7,084,000).

During the year ended 30 June 2020, the Group did not renew its money lender license and ceased to be a licensed money lender in Hong Kong. Therefore, the Group's results of money lender business were classified as discontinued operation. The profit from discontinued operation for the period was approximately HK\$93,000 (2019: HK\$1,218,000).

Summing up, the Group recorded a loss attributable to owners of the Company from continuing operations for the period of approximately HK\$6,619,000 (2019: HK\$14,610,000) and loss per share (basic and diluted) from continuing operations for the period was 0.13 HK cents (2019: 0.33 HK cents). In respect of the discontinued operation, the profit attributable to owners of the Company was approximately HK\$93,000 (2019: profit attributable to owners of the Company of HK\$1,218,000) and loss per share (basic and diluted) for the period was 0.13 HK cents (2019: earnings per share (basic and diluted) 0.30 HK cents). In aggregate, the loss for the period attributable to owners of the Company from both continuing and discontinued operations was approximately HK\$6,526,000 (2019: HK\$13,392,000) and loss per share (basic and diluted) for the period was 0.13 HK cents (2019: 0.30 HK cents).

Business review

Distribution and trading of server storage, multi-media and communication 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\$548,000 (2019: HK\$931,000) 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 of rice cooker and household electrical appliances

The Company continued to develop new business strategy in the distribution of rice cooker and household electrical appliances products in the PRC and other countries during the period, with no revenue generated (2019: HK\$2,304,000) which was due to poor market sentiment and restriction in travelling during COVID-19 pandemic. This segment incurred a loss of approximately HK\$23,000 (2019: profit of HK\$100,000). The Group is still in the course of identifying a suitable business partner for the distribution business in other regions with better profit margin.

Distribution of other products

The Company continued to distribute other products including but not limit to building materials, industrial metals and may expand to other categories when more experience is obtained from the operation. During the period, no revenue generated (2019: HK\$7,352,000) which was due to poor market sentiment and restriction in travelling during COVID-19 pandemic. This segment incurred a loss of approximately HK\$5,000 (2019: profit of HK\$366,000).

Investment in securities

Due to the relatively volatile market condition, the Group suffered a segment loss of approximately HK\$1,006,000 (2019: HK\$681,000) in investment of local listed securities during the period. In view of the tight cash flow of the Group, the Group will be continuous to reduce the portfolio size of the investment and to redeploy financial resources for meeting other operational requirements.

Money lending (now discontinued)

The Group recorded a profit of approximately HK\$93,000 (2019: HK\$1,218,000) from money lending business during the period. The Group has not renewed the money lender license and ceased to be a licensed money lender in Hong Kong. The Group believes the level of resources allocated to this business segment does not bring a better performance for the Group and ceased the business in the current period. It has been regarded as discontinued operation.

Liquidity and capital resources

As at 31 December 2020, the Group had net liabilities of approximately HK\$42,135,000 (30 June 2020: HK\$35,609,000), comprising total assets of approximately HK\$71,459,000 (30 June 2020: HK\$73,110,000) and total liabilities of approximately HK\$113,594,000 (30 June 2020: HK\$108,719,000).

Total assets included total non-current assets of approximately HK\$1,571,000 (30 June 2020: HK\$4,794,000) and total current assets of approximately HK\$69,888,000 (30 June 2020: HK\$68,316,000).

Decrease in total non-current assets was due to disposal for fixed assets and depreciation charged to fixed assets in respect of property, plant and equipment for the period. Meanwhile, the reduction in the right-of-use assets of approximately HK\$388,000 was due to early termination of certain leases during the period.

Reduction in total current assets was mainly caused by the substantial drop in trade receivable to approximately HK\$1,672,000 (30 June 2020: HK\$3,030,000) and the balance of prepayments, deposits, interest and other receivables to approximately HK\$26,608,000 (30 June 2020: HK\$24,164,000) but investments at fair value through profit or loss had decreased to approximately HK\$16,612,000 (30 June 2020: HK\$17,402,000).

Total liabilities as at 31 December 2020 comprised current liabilities of approximately HK\$113,594,000 (30 June 2020: HK\$108,719,000). The major factor leading to overall increase of current liabilities was due to the reduction in trade payables to approximately HK\$5,365,000 (30 June 2020: HK\$6,124,000) and fluctuation in the other main items of current liabilities which consisted of accruals, interest and other payables of approximately HK\$28,876,000 (30 June 2020: HK\$18,491,000), the increase was mainly due to the increase in interest payable, margin loans payable of approximately HK\$14,872,000 (30 June 2020: HK\$14,661,000) and other loans payable of approximately HK\$41,334,000 (30 June 2020: HK\$46,225,000) and bonds, unsecured and unguaranteed borrowings of approximately HK\$22,721,000 (30 June 2020: HK\$21,996,000).

Due to the funds used up in the current operating activities and also additional financial resource was needed to support the new business, total cash resources of the Group consisting only of bank balances and cash had diminished to approximately HK\$81,000 (30 June 2020: HK\$378,000) and were denominated in HKD, USD and RMB.

The current ratio, representing by current assets divided by current liabilities, was 0.62 (30 June 2020: 0.63).

As at 31 December 2020, the aggregate amount of bank borrowings, margin loans payable and other loans of approximately HK\$78,927,000 (30 June 2020: HK\$83,333,000) were denominated in HKD and USD. They were subject to interest at prevailing commercial lending rates. The outstanding bonds of approximately HK\$22,721,000 (30 June 2020: HK\$21,996,000) were denominated in HKD. 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. In addition, the Company has entered into a loan facility agreement with a third party on 11 February 2022 in the amount of up to HK\$100,000,000 for a term of 2 years; the Company is planning to place new shares to potential investors to finance the potential business acquisition, and the to be acquired business is beneficial to the Group. Accordingly, the management estimates that the cash flows generated from the above as a whole could be sufficient to settle the Group's liabilities and operating working capital for the time being. In the opinion of the directors of the Company, the Group could be able to continue as a going concern.

Outlook

To conclude, the Group remains optimistic about market developments and will continue to diversify its product portfolio and customer base in order to maintain its resilience against economic headwinds and industrial challenges and enhance its competitiveness to stride forward in a prosperous manner.

It is the Group's strategy to actively securing fresh financial resources and at the same time looking for new investment and growth opportunities through a strategy of business diversification. Despite the uncertainties on the global economic prospect as a result of the outbreak of COVID-19, 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, in particular the growing demand in building materials for construction of infrastructure projects, will be opened up and feel confident of our growth and development in the near future. The Group will continue to seek opportunities for strategic investment with a view to develop, expand and diversify of the Group's businesses to maximise the interest of the Company and its shareholders.

The Company has enforced the securities in relation to a loan receivable and Turbo Billion Group has become subsidiary of the Company before the financial year ended 30 June 2021. However, subsequent valuation of Turbo Billion Group was less than the agreed outstanding balance (the "**Outstanding Balance**"). Accordingly, the Company claimed that Chargor is now liable to pay the difference to the Company. The Group has executed its right to secure charge against two properties owned by Turbo Billion Group on 27 December 2021 and 1 March 2022 respectively. In the opinion of the directors of the Company, these properties have value of not less than the Outstanding Balance and is beneficial to the Group.

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 2020, the Group's bank overdraft and margin loans 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.

Commitments

After the adoption of HKFRS 16 for the financial year ended 30 June 2020, there is no operating lease commitments in respect of land and buildings as at 31 December 2020 and as at 30 June 2020 respectively.

Material acquisitions and disposals

The Group did not have any material acquisitions and disposals of subsidiaries during the six months ended 31 December 2020.

Employees and remuneration policy

The Group had 20 employees as at 31 December 2020 (30 June 2020: 23). 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 2020. During the period, the staff costs (including directors' remunerations) from continuing and discontinued operations amounted to approximately HK\$5,926,000 (2019: HK\$7,934,000). 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 2020 (2019: 53,000,000).

Contingent liabilities

The Group did not have contingent liabilities as at 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED 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 2020.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has applied the principles of the Corporate Governance Code (the "**CG Code**") setting out in Appendix 14 of the Listing Rules therein as its own code on corporate governance practices. In the opinion of the Board of the Company, the Company had complied with the CG Code during the six months ended 31 December 2020, 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.

On 3 March 2022, Mr. Wang Jiahua has been appointed as executive director and vice president of the Company and Ms. Tsang Wai Han has been appointed as an independent non-executive director of the Company.

On 30 November 2021, Dr. Chow Ho Wan ("**Dr. Chow**") resigned as an independent non-executive director of the Company. Dr. Chow also ceased to be Chairman of Remuneration Committee, Member of Audit Committee and Nomination Committee with effect from 30 November 2021. Following the resignation of Dr. Chow, the Company has (i) two Independent Non-executive Directors, which results in the current number of Independent Non-executive Directors falling below the minimum number required under Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") or one-third of the board as required under Rule 3.10A of Listing Rules; (ii) two members of Audit Committee, which results in the number of Audit Committee falling below the minimum number required under Rule 3.21 of the Listing Rules; (iii) no Chairman of Remuneration Committee, which does not comply with Rule 3.25 of the Listing Rules before 3 March 2022. These situations were rectified when Ms. Tsang Wai Han was appointed as an independent non-executive director, a member of Audit Committee, a member of Nomination Committee and the Chairman of Remuneration Committee on 3 March 2022.

On 1 July 2021, Mr. Chow Yeung Tuen, Richard (“**Mr. Chow**”) resigned as a non-executive director of the Company.

The Company announced on 30 September 2020 that it is unable to publish its annual results for the year ended 30 June 2020 by that date and therefore shares of the Company have been suspended from trading since 5 October 2020.

References are made to the announcements of the Company dated (i) 5 October 2020 in relation to the suspension of trading in the shares of the Company; (ii) 30 December 2020 in relation to the resumption guidance for the Company imposed by the Stock Exchange and 9 December 2021 in relation to additional resumption guidance; (iii) 1 February 2021 in relation to the update on listing status; (iv) 29 October 2021 and 10 January 2022 in relation to the quarterly update on status of resumption; and (v) 31 August 2021 and 30 September 2021 in relation to further delay in publication of the annual results of the Company for the year ended 30 June 2020, the interim results of the Company for the six months ended 31 December 2020, the annual results of the Company for the year ended 30 June 2021 and the interim results of the Company for the six months ended 31 December 2021.

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 2020. The Model Code also applies to the senior management of the Group.

REVIEW OF RESULTS BY AUDIT COMMITTEE AND AUDITORS

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 consolidated financial statements for the six months ended 31 December 2020 and has discussed internal controls and financial reporting matters. The committee was established in compliance with Rule 3.21 of the Listing Rules and the membership currently comprises three existing independent non-executive directors of the Company.

PUBLICATION OF RESULTS ON THE INTERNET

This announcement of interim results is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.cil479.com.hk under the section of "Announcement". The interim report of the Group for the six months ended 31 December 2020 containing all the information required by Appendix 16 of the Listing Rules will also be published on both websites in due course.

On behalf of the Board
CIL Holdings Limited
Ke Jun Xiang
Chairman

Hong Kong, 24 March 2022

As at the date of this announcement, the Board comprises 5 executive Directors, namely Mr. Ke Jun Xiang (Chairman and Chief Executive Officer), Mr. Wilson Wong (Deputy Chairman), Ms. Lo Yuen Chung, Mr. Fu Daoding and Mr. Wang Jiahua; 1 non-executive director namely Mr. Li Chung Kai, Philip; and 3 independent non-executive Directors, namely Mr. Chan Siu Kay, Mr. Choi Chin Yu and Ms. Tsang Wai Han.

* *For identification purpose only*