



# CIL HOLDINGS LIMITED

## 華建控股有限公司\*

(Incorporated in Bermuda with limited liability)  
(Stock Code : 479)

### ANNOUNCEMENT OF 2003 RESULTS

#### FINANCIAL SUMMARY

The Board of Directors (the “Board”) of CIL Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2003 as follows:

	<i>Note</i>	<b>2003</b> <b>HK\$'000</b>	<b>2002</b> <b>HK\$'000</b>
Turnover	3	<b>45,705</b>	56,635
Cost of sales		<b>(43,494)</b>	(56,388)
Gross profit		<b>2,211</b>	247
Other revenue	3	<b>1,519</b>	17,474
Gain arising from winding up subsidiary		–	2,539
Gain arising from debts discharged under scheme of arrangement	4	<b>86,151</b>	–
Gain arising from disposal of a jointly controlled entity		<b>10,753</b>	–
Scheme of arrangement expenses		<b>(8,297)</b>	–
General and administrative expenses		<b>(19,792)</b>	(19,021)
Other operating expenses		–	(143,873)
Profit/(Loss) from operations	5	<b>72,545</b>	(142,634)
Finance costs	6	<b>(980)</b>	(2,106)
Profit/(Loss) before taxation		<b>71,565</b>	(144,740)
Taxation	7	–	–
Profit/(Loss) after taxation		<b>71,565</b>	(144,740)
Minority interests		–	–
Profit/(Loss) attributable to shareholders	8	<b>71,565</b>	(144,740)
Earnings/(Loss) per share	9		
– Basic		<b>5.63 cents</b>	(26.04 cents)
– Diluted		<b>5.62 cents</b>	N/A
Dividends		<b>Nil</b>	Nil

#### Notes:

#### 1. BASIS OF PREPARATION – GOING CONCERN

During the year, the Group implemented a restructuring plan in order to strengthen the capital base of the Company, to improve the Group’s financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern. Details of the restructuring plan are set out in the Company’s circulars dated 2 August 2002 and 28 November 2002.

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group’s net current liabilities of approximately HK\$24 million.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the financial statements.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following SSAP issued by the HKSA:

SSAP 12 (revised):                      Income taxes

The adoption of this standard had had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 3. TURNOVER AND REVENUE

The Group is principally engaged in trading of consumer video/audio electronics, multimedia set top box and communication equipment during the year.

Analysis of turnover and revenue is as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 <b>HK\$'000</b>
Turnover		
Trading of multi-media and communication products	<b>45,705</b>	56,635
Other revenue		
Commission income	<b>1,515</b>	1,846
Guaranteed income from a management company	–	4,167
Gain on disposal of subsidiary	–	1,221
Written back of accruals	–	9,422
Provision for bad and doubtful debts written back	–	158
Others	<b>4</b>	660
	<b>1,519</b>	17,474
Total revenue	<b>47,224</b>	74,109

Analysis of turnover and contribution to loss from operations by principal activities and geographical locations is as follows:

	<b>Turnover</b>		<b>Contribution to profit/(loss) from operations</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 <b>HK\$'000</b>	<b>2003</b> <b>HK\$'000</b>	2002 <b>HK\$'000</b>
By principal activities:				
Trading of multi-media and communication products	<b>45,705</b>	56,635	<b>2,211</b>	247
	<b>45,705</b>	56,635	<b>2,211</b>	247
Other group expenses net of other income			<b>(26,570)</b>	(145,420)
Gain arising from scheme of arrangement			<b>86,151</b>	–
Gain arising from disposal of a jointly controlled entity			<b>10,753</b>	–
Gain arising from winding up subsidiary			–	2,539
			<b>72,545</b>	(142,634)

	Turnover		Contribution to profit/(loss) from operations	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical locations:				
The Hong Kong Special Administrative Region ("Hong Kong")	18,719	13,144	906	57
Other parts in the People's Republic of China ("PRC")	26,986	43,491	1,305	190
	<u>45,705</u>	<u>56,635</u>	<u>2,211</u>	<u>247</u>
Other group expenses net of other income			(26,570)	(145,420)
Gain arising from scheme of arrangement			86,151	–
Gain arising from disposal of jointly controlled entity			10,753	–
Gain arising from winding up subsidiaries			–	2,539
			<u>72,545</u>	<u>(142,634)</u>
<b>4. GAIN ARISING FROM DEBTS DISCHARGED UNDER SCHEME OF ARRANGEMENT</b>				
The gain of approximately HK\$86,151,000 represented the indebtedness and the accrued interest payable of the Group waived by the Scheme Creditors discharged upon the completion of a scheme of arrangement under section 166 of the Hong Kong Companies Ordinance and section 99 of the Companies Act 1981 of Bermuda.				
<b>5. PROFIT/(LOSS) FROM OPERATIONS</b>				
Profit/(Loss) from operations is stated after crediting and charging the following:				
	2003	2002		
	HK\$'000	HK\$'000		
<b>Crediting:</b>				
Gain arising from winding up subsidiary	–	2,539		
Gain on disposal of subsidiary	–	1,221		
<b>Charging:</b>				
Cost of goods sold and services provided	43,494	56,388		
Staff costs (including directors' emoluments)	4,657	6,496		
Pension scheme contribution	32	74		
Auditors' remuneration	431	671		
Depreciation	136	1,738		
Provision for bad and doubtful debts	–	15,563		
Amortisation of goodwill	4,000	4,000		
Provision for diminution in value of investments in securities	–	75,900		
Impairment loss of property, plant and equipment	–	4,174		
Impairment loss of investment in associates and jointly controlled entity	–	53,904		
Plant and equipment written off	430	209		
Operating lease rentals in respect of land and buildings	3,041	595		
Loss on disposal of property, plant and equipment	26	–		
Stocks written off	596	–		
<b>6. FINANCE COSTS</b>				
	2003	2002		
	HK\$'000	HK\$'000		
Interests on:				
Bank loans, bills and overdrafts wholly repayable within five years	660	666		
Obligations under finance leases and hire purchase contracts	–	181		
Other borrowing costs	320	1,259		
	<u>980</u>	<u>2,106</u>		
<b>7. TAXATION</b>				
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.				
<b>8. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS</b>				
The net profit attributable to shareholders includes a profit of approximately HK\$29,513,000 (2002: loss of HK\$79,754,000) which has been dealt with in the financial statements of the Company for the year ended 30 June 2003.				

## **9. EARNING/(LOSS) PER SHARE**

### **(a) Basic earnings per share**

The calculation of basic earnings per share for the year ended 30 June 2003 is based on the profit attributable to shareholders of approximately HK\$71,565,000 (2002: loss of HK\$144,740,000) and the weighted average number of 1,271,036,618 (2002: 555,788,348) ordinary shares in issue during the year.

### **(b) Diluted earnings per share**

The calculation of diluted earnings per share was based on the profit attributable to shareholders of approximately HK\$71,565,000 and the weighted average number of 1,274,187,303 ordinary shares after adjusting for the effect of all dilutive potential ordinary shares.

Diluted loss per share was not shown for the year ended 30 June 2002 as the effect of the potential ordinary shares outstanding during the year would be anti-dilutive.

## **EXTRACT OF OPINION FROM AUDITORS**

### **Scope limitations arising from the prior year's audit scope limitations affecting opening balances and comparative figures**

The auditors draw the shareholders' attention to the fact that their report for the year ended 30 June 2002 dated 31 July 2003, stated that they were unable to form an opinion on the financial statements due to the possible effect of the limitation in evidence available for audit purposes. Any adjustments found to be necessary to the opening respective balances of the net liabilities of the Group and the net assets of the Company would have a consequential effect on the results of the Group and the Company for the year ended 30 June 2003.

### **Fundamental uncertainty**

In forming their opinion, the auditors have also considered the adequacy of the disclosures made in note 1 (c) to the financial statements, which have been prepared on a going concern basis. The validity of this basis depends on the outcome of the disputed claims as further detailed in note 30 to the financial statements and funds being available to the Group to carry on its business. The financial statements do not include any adjustments that would result from the crystallization of all or some of the disputed claims and the failure to obtain adequate funds to carry on the business of the Group on a going concern. The auditors consider that appropriate disclosures have been made but the uncertainty surrounding the circumstances under which the Group might successfully to adopt the going concern basis are so extreme that they disclaimed their opinion. In forming their opinion, the auditors also evaluated the overall adequacy of the presentation of information in the financial statements. They believe their audit provides a reasonable basis for their opinion.

### **Disclaimer of opinion**

Because of the significance of (a) the fundamental uncertainty relating to the going concern basis of the Group, (b) the possible effects of the limitation in evidence available to them and (c) the non-compliance of SSAP 10, 11, and 32, relating to the accounting treatment for interests in a subsidiary and associates as set out in the basis of opinion section of their report, the auditors are unable to form an opinion as to whether the financial statements give a true and fair view, in all material respects, of the state of the affairs of the Group as at 30 June 2003 and of the profit and cash flows of the Group for the year then ended and as to whether the financial statements have been prepared in accordance with the disclosure requirements of the Companies Ordinance. In respect alone of the limitation on the auditors' work relating to the matters as set out in the basis of opinion section of their report:

1. they have not obtained all the information and explanations that they considered necessary for the purpose of their audit; and
2. they were unable to determine whether proper books of accounts have been kept.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial results**

For the year ended 30 June 2003, the Group produced a turnover of approximately HK\$45,705,000, a 19.3% decrease from last year's turnover of HK\$56,635,000. The profit attributable to shareholders for the year amounted to approximately HK\$71,565,000, which includes gains of approximately HK\$86,151,000 arising from debts discharged under a scheme of arrangement ("the Scheme of Arrangement") under section 166 of the Hong Kong Companies Ordinance and section 99 of the Companies Act 1981 of Bermuda and approximately HK\$10,753,000 arising from disposal of a jointly controlled entity respectively.

**Business review**

During the year, the Group focused its operation mainly on manufacturing and trading of multi-media and digital communication products. Affected by the sluggish economy recovery in the Hong Kong economy and abundant supply of multi-media and digital communication products in the Great China region, this segment of business had only contributed an operating profit of approximately HK\$2.21 million to the profit attributable to the shareholders for the year.

**Disposal of a jointly controlled entity**

The Group's equity interest in a PRC jointly controlled entity engaging in a property development project had been pledged to an independent third party for a loan of approximately HK\$4 million. Under a consent order issued by the Hong Kong High Court on 14 April 2003, the Group's interest was transferred to the creditor for setting off against the outstanding loan. Full provision for impairment loss was made in 2002 and a gain of disposal of approximately HK\$10,753,000 was credited to the income statement of current year.

**Liquidity and financial resources**

The Group had net current liabilities of approximately HK\$24 million as at 30 June 2003 and the gearing ratio to total equity is 42.7%.

On 20 December 2002, the majority of the Scheme Creditors approved the Scheme of Arrangement for debt restructuring under which all the secured and unsecured indebtedness (including any interest accrued thereon) owed by the Group to the Scheme Creditors were to be released, discharged and fully settled.

The Scheme of Arrangement was sanctioned by the High Court of Hong Kong and the Supreme Court of Bermuda on 2 and 4 April 2003 respectively. Based on the final assessment of the Scheme Administrator in respect of the disputed claims of the creditors, further contingent liabilities of approximately HK\$75 million had to be taken up by the Company before the total indebtedness of approximately HK\$206 million was arrived at. Total indebtedness admitted under the Scheme of Arrangement was approximately HK\$206 million, of which approximately HK\$15 million was paid out from the proceeds, and approximately HK\$21 million was settled by the issue of 2,100,000,000 ordinary shares of the Company at HK\$0.01 each. The remaining indebtedness of approximately HK\$170 million was waived by the Scheme Creditors. The Scheme of Arrangement was completed on 16 May 2003.

**Foreign currency exposure**

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

**Employees information**

The Group has around 40 employees currently. The remuneration packages of employees are maintained at competitive level which include monthly salaries, mandatory provident fund and share option scheme.

**Charges on Group assets**

The Group's property was pledged to a bank as securities for the facilities granted to a winding up subsidiary. Pursuant to the Scheme of Arrangement, the bank took possession of the property and disposed of it on 13 August 2003 at net proceeds of approximately HK\$6.4 million. Carrying value of the property had been reduced to this amount by an impairment loss of approximately HK\$13.8 million of which HK\$4.2 million was charged to income statement and HK\$9.6 million was charged to revaluation reserve in 2002.

**Contingent liabilities**

At 30 June 2003, the Group had contingent liabilities of approximately HK\$93 million in respect of the disputed claims against the Group for outstanding loans and service fees.

**PROSPECTS**

Economic condition of the local economy is recovering gradually and the development of the Mainland China's economy is continuing its promising trend. It is expected investment opportunities will be further enhanced subsequent to the SAR Government entering into the Closer Economic Partnership Arrangement (CEPA) with the Central Government. In the days ahead, the management will focus in formulating strategy to develop new business ventures in the Mainland China.

**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 period under review.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company’s bye-laws.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE’S WEBSITE**

The Company’s annual report, containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board

*Chairman*

**Ke Jun Xiang**

Hong Kong, 31 March 2004

*\* for identification purpose*

Please also refer to the published version of this announcement in The Standard.