



CARDLINK TECHNOLOGY GROUP LIMITED

錯聯科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2003

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This report, for which the directors (the “Directors”) of Cardlink Technology Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The unaudited turnover of the Group in the first six months of 2003 was approximately HK\$20.84 million, representing an 70.6% increase as compared with that of the corresponding period in 2002.
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2003.

UNAUDITED INTERIM RESULTS

The board of directors (the “Directors”) of Cardlink Technology Group Limited (the “Company”) report the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2003 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2003 <i>HK\$</i>	2002 <i>HK\$</i>	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Turnover	2	10,258,011	6,205,113	20,841,480	12,215,896
Cost of sales		(8,890,374)	(4,381,511)	(18,389,376)	(7,532,970)
Gross profit		1,367,637	1,823,602	2,452,104	4,682,926
Other revenue	3	557,078	274,797	1,124,199	398,112
Selling and distribution costs		(661,354)	(770,496)	(1,455,973)	(1,494,259)
Administrative expenses		(3,075,645)	(2,533,028)	(6,148,449)	(4,539,860)
Loss before taxation	4	(1,812,284)	(1,205,125)	(4,028,119)	(953,081)
Taxation	5	–	160,000	–	110,000
Net loss attributable to the shareholders		<u>(1,812,284)</u>	<u>(1,045,125)</u>	<u>(4,028,119)</u>	<u>(843,081)</u>
Dividend	6	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss per share – Basic	7	<u>(0.57) cents</u>	<u>(0.33) cents</u>	<u>(1.26) cents</u>	<u>(0.26) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2003 HK\$	Audited 31 December 2002 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	22,407,633	16,316,320
Intangible assets		2,805,154	979,175
Other financial assets		7,000,000	7,000,000
		32,212,787	24,295,495
Current assets			
Inventories	9	2,693,398	3,914,083
Trade and other receivables	10	12,747,049	13,370,873
Tax recoverable		483,732	483,732
Pledged bank deposits	11	2,439,779	1,032,540
Bank balances and cash		10,027,345	14,623,040
		28,391,303	33,424,268
Current liabilities			
Trade and other payables	12	5,664,867	4,487,552
Current portion of obligations under finance leases		1,911,792	–
		7,576,659	4,487,552
Net current assets		20,814,644	28,936,716
Total assets less current liabilities		53,027,431	53,232,211
Non-current liabilities			
Deferred taxation		392,000	392,000
Obligations under finance leases		3,823,584	–
		4,215,584	392,000
NET ASSETS		48,811,847	52,840,211
CAPITAL AND RESERVES			
Issued capital		32,000,000	32,000,000
Reserves	13	16,811,847	20,840,211
		48,811,847	52,840,211

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	Six months ended	
	30 June	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
At beginning of the period - Total equity	52,840,211	55,961,723
Exchange difference	(245)	–
Loss for the period	(4,028,119)	(843,081)
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At end of the period – Total equity	<u>48,811,847</u>	<u>55,118,642</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 June	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Net cash generated (used) from operating activities	1,401,966	(124,342)
Net cash used in investing activities	(4,590,422)	(6,930,511)
	<hr/>	<hr/>
Net decrease in cash and cash equivalent	(3,188,456)	(7,054,853)
Cash and cash equivalents brought forward	15,655,580	39,994,857
	<hr/>	<hr/>
Cash and cash equivalents carried forward	<u>12,467,124</u>	<u>32,940,004</u>
Analysis of the balances of cash and cash equivalents		
Pledged bank deposit	2,439,779	2,038,751
Bank balances and cash	10,027,345	30,901,253
	<hr/>	<hr/>
	<u>12,467,124</u>	<u>32,940,004</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice (the “SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (the “HKSA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules governing the Listing of Securities on the GEM of the Stock Exchange.

The same accounting policies adopted in the 2002 annual accounts have been applied to the interim financial report, except as described below.

Income Taxes

In the current period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit with limited exceptions.

The adoption of SSAP 12 (Revised) has no material effect on the results of the Group.

2. SEGMENTAL INFORMATION

The principal activities of the Group are the manufacturing and sales of smart cards and plastic cards, and provision of customised smart card application systems.

The analysis of the turnover and contribution to profit from operation by principal activities of the Company and its subsidiaries during the periods are as follows:

	Unaudited Group turnover			
	Three months ended		Six months ended	
	30 June		30 June	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Sales of smart cards and plastic cards	10,097,718	5,740,659	18,115,617	9,507,478
Sales of smart card application systems	124,440	342,009	2,664,661	2,550,663
Others	35,853	122,445	61,202	157,755
	<u>10,258,011</u>	<u>6,205,113</u>	<u>20,841,480</u>	<u>12,215,896</u>

	Unaudited Contribution to profit from operation			
	Three months ended		Six months ended	
	30 June		30 June	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Sales of smart cards and plastic cards	1,252,675	1,489,672	2,287,035	2,323,142
Sales of smart card application systems	79,109	211,485	103,867	2,202,029
	<u>1,331,784</u>	<u>1,701,157</u>	<u>2,390,902</u>	<u>4,525,171</u>
Unallocated expenses	<u>(3,144,068)</u>	<u>(2,906,282)</u>	<u>(6,419,021)</u>	<u>(5,478,252)</u>
Loss from operation	<u>(1,812,284)</u>	<u>(1,205,125)</u>	<u>(4,028,119)</u>	<u>(953,081)</u>

3. OTHER REVENUE

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Interest income	158,623	115,139	326,595	232,260
Royalty income	240,000	–	480,000	–
Rental income	150,000	150,000	300,000	150,000
Sundry income	8,455	9,658	17,604	15,852
	<u>557,078</u>	<u>274,797</u>	<u>1,124,199</u>	<u>398,112</u>

4. LOSS BEFORE TAXATION

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
This is arrived at after charging:				
Amortization of capitalized product development costs	64,368	23,054	110,057	36,504
Staff costs	2,995,814	3,165,708	6,097,126	6,200,506
Cost of inventories	3,924,565	2,303,575	10,845,186	3,565,993
Net loss on disposal of property, plant and equipment	–	–	–	102,214
Depreciation of property, plant and equipment	1,476,092	553,154	2,291,711	794,773
Operating lease charges	404,443	234,039	795,572	481,816
	<u>404,443</u>	<u>234,039</u>	<u>795,572</u>	<u>481,816</u>

5. TAXATION

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
The credit (charge) comprises:				
Overprovision for Hong Kong Profits Tax in previous period attributable to the Company and its subsidiaries	–	160,000	–	110,000
	<u>–</u>	<u>160,000</u>	<u>–</u>	<u>110,000</u>

No provision for Hong Kong Profits Tax has been provided as the Group had no estimated assessable profits for the period. In prior period, Hong Kong Profits Tax has been provided at the rate of 16% on the Group's estimated assessable profits.

There was no material unprovided deferred tax for the periods.

6. DIVIDEND

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Dividend	—	—	—	—

The Directors do not recommend the payment of any interim dividend for the period ended 30 June 2003 (2002: HK\$NIL).

7. LOSS PER SHARE

The calculation of basic loss per share for the three months and the six months ended 30 June 2003 is based on the unaudited loss attributable to the shareholders of HK\$1,812,284 and HK\$4,028,119 (2002: loss of HK\$1,045,125 and HK\$843,081) and the weighted average number of 320,000,000 shares in issue (2002: 320,000,000).

Diluted loss per share for the three months and six months ended 30 June 2003 have not been presented as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for the relevant periods.

8. PROPERTY, PLANT AND EQUIPMENT

	Printing and testing equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Leasehold improvement HK\$	Motor vehicle HK\$	Total HK\$
Cost						
At 1 January 2003	19,577,475	1,696,883	522,600	1,067,944	564,492	23,429,394
Addition during the period	7,071,642	111,435	794,839	405,108	—	8,383,024
At 30 June 2003	26,649,117	1,808,318	1,317,439	1,473,052	564,492	31,812,418
Accumulated depreciation						
At 1 January 2003	5,583,127	639,867	317,728	470,343	102,009	7,113,074
Charge for the period	1,856,737	166,245	74,399	138,866	55,464	2,291,711
At 30 June 2003	7,439,864	806,112	392,127	609,209	157,473	9,404,785
Net book value						
At 30 June 2003	19,209,253	1,002,206	925,312	863,843	407,019	22,407,633
At 31 December 2002	13,994,348	1,057,016	204,872	597,601	462,483	16,316,320

9. INVENTORIES

	Unaudited 30 June 2003 <i>HK\$</i>	Audited 31 December 2002 <i>HK\$</i>
At cost:		
Raw materials	1,229,642	1,223,739
Work-in-progress	74,034	79,197
Finished goods	1,389,722	2,611,147
	<u>2,693,398</u>	<u>3,914,083</u>

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2003 <i>HK\$</i>	Audited 31 December 2002 <i>HK\$</i>
Trade receivables	9,431,701	8,537,243
Deposits, prepayment and other debtors	3,315,348	4,833,630
	<u>12,747,049</u>	<u>13,370,873</u>

The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days. The ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2003 <i>HK\$</i>	Audited 31 December 2002 <i>HK\$</i>
Current – 30 days	3,995,578	6,969,223
31 – 90 days	4,338,346	618,140
Over 90 days	1,097,777	949,880
	<u>9,431,701</u>	<u>8,537,243</u>

11. PLEDGED BANK DEPOSITS

At 30 June 2003, bank deposits of HK\$2,439,779 (31 December 2002: HK\$1,032,540) were pledged as collateral for the banking facilities granted to the subsidiaries of the Company.

12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2003 <i>HK\$</i>	Audited 31 December 2002 <i>HK\$</i>
Trade payables	2,903,745	2,258,724
Accrued charges and other creditors	2,761,122	2,228,828
	<u>5,664,867</u>	<u>4,487,552</u>

All the trade payables are due within 1 month or on demand.

13. RESERVES

	Contributed surplus <i>HK\$</i>	Other reserve <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2002	13,985,669	7	–	9,976,047	23,961,723
Loss for the period	–	–	–	(843,081)	(843,081)
At 30 June 2002	<u>13,985,669</u>	<u>7</u>	<u>–</u>	<u>9,132,966</u>	<u>23,118,642</u>
At 1 January 2003	13,985,669	7	(8,407)	6,862,942	20,840,211
Exchange difference	–	–	(245)	–	(245)
Loss for the period	–	–	–	(4,028,119)	(4,028,119)
At 30 June 2003	<u>13,985,669</u>	<u>7</u>	<u>(8,652)</u>	<u>2,834,823</u>	<u>16,811,847</u>

The exchange reserve represents the exchange differences on translation of the financial statements of PRC subsidiaries.

14. RELATED PARTY TRANSACTION

There was no related party transaction for the six months ended 30 June 2003.

15. CAPITAL COMMITMENTS

A subsidiary of the Company is committed to make a capital contribution of approximately HK\$7.5 million to a subsidiary in the People's Republic of China.

The Company has no significant capital commitments at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

(a) Business Review

For the first half of 2003, the Group struggled against the continued unfavourable economic condition and market sentiment shadowed by the outbreak of the Severe Acute Respiratory Syndrome (“SARS”).

In the midst of market sentiment, the Group was forced to increase the turnover at the expense of profit margin in order to stay competitive. The gross profit margin has been decreased to 11.8% despite turnover increased by 70.6%.

The turnover in Beijing attributable to approximately 38.5% of the total turnover of the Group.

When SARS reached its height in April, the number of normal business meetings with clients and business trips of the Group’s management travelling around Asia and China PRC had been reduced or postponed. Various exhibitions and marketing activities were deferred. Precautionary measures were in place for our production facilities in both Beijing and Hong Kong, consequently there was increase in expenditure in the administration cost.

The unexpected outbreak of SARS in Beijing had interrupted our progress of development in our Beijing production facility. As a consequence, production output in Beijing was slowed down, the installation schedule of machineries in Beijing PRC was postponed, and customers’ payment was deferred.

Due to the continued unfavourable economic recovery, customers inclined to reduce their demand for sophisticated multi-application smart card products/application and reduce their capital expenditure on these products. The management team of the Group, under the substantial pressure to adjust the price downwards, managed to secure the turnover of the smart card products/application.

On the other hand, the management has been endeavoured to streamline the business operations and improve the operation efficiency of the Group. Accordingly, various restructuring activities and extensive cost control measures have been implemented.

During the period under review, the Group’s subsidiary, Intercard Limited, obtained the certification for its operation of a Quality Management system, which complies with the requirement of BS EN ISO9001:2000 for the design and manufacture of printed plastic card.

(b) Prospects

The management has taken tight measures in cost control and cash management with a view to ensuring that all facets of the operations are cost effective. In view of the current adverse market conditions, the management will continue to implement control measures to reduce its operational costs.

On the other hand, additional resources, including machineries and equipments, has been re-allocated to enhance the production capability in Beijing so as to meet with demand of the PRC market as a consequence of its stable GDP growth. It is expected that the revenue from PRC customers will be increased.

In view to expand its market share in the PRC, Beijing Venus Technology Limited, a wholly-owned subsidiary of the Group, would set up its first branch office in Shenzhen with aim to promote and expand its business in the Southern China.

It is expected that upon the attainment of the full production capacity of the facility in Beijing, the Hong Kong operation will be restructured to have a better utilization of resources and to increase the operation efficiency.

Under the recessionary economic conditions, the management will continue its operational cost control measures and to take conservative and cautious steps in seeking more viable business opportunity that could contribute the long term value of the Group.

(c) Financial Review

The Group recorded an unaudited turnover of approximately HK\$20.84 million for the six months ended 30 June 2003, an increase of approximately 70.6% as compared to HK\$12.22 million for the same period of 2002. Of the total turnover amount for the period, HK\$18.12 million or 86.9% was generated from manufacturing and sales of smart cards and plastic cards and HK\$2.66 million or 12.8% was generated from sale of smart card application systems. The turnover for smart cards manufacturing increased by 90.5% as compared to HK\$9.51 million for the same period of 2002 whilst the turnover for the smart card application systems increased slightly by 4.5% to HK\$2.66 million for the six months ended 30 June 2003, as compared to HK\$2.55 million for the same period of 2002.

The gross profit margin has been decreased to 11.8% as compared to 38% for the same period of last year. The loss attributable to shareholders was approximately HK\$4.03 million for the six months ended 30 June 2003.

The selling and distribution costs and administration expenses recorded a decrease of approximately 2.6% and an increase of approximately 35.4% respectively as compared to same period of 2002. With the commencement of operation of our production facility in Beijing, the administration costs increased approximately by 35.4% to HK\$6.15 million for the six months ended 30 June 2003, as compared to HK\$4.54 million for the same period of 2002. The selling and distribution costs was decreased approximately by 2.6% to HK\$1.46 million for the six months ended 30 June 2003, as compared to same period of 2002, due to the deferral of various marketing and promotion activities during the SARS period.

Liquidity and financial resources

The Company was listed on the GEM through placement of shares. As disclosed in the Prospectus, the Group intended to apply the net proceeds from the initial public offering of HK\$29 million to finance its expansion plan. The unutilized proceeds were placed in Hong Kong dollars short-term interest bearing deposits with banks.

For the period under review, the Company financed its operations with internal funding and bank loans. The Group has total current assets of HK\$28.39 million and current liabilities of HK\$7.58 million as at 30 June 2003. As at 30 June 2003, the Group had cash and cash equivalents of HK\$12.47 million.

Employee information

As at 30 June 2003, the Company employed a total of 169 employees, of which 52 were located in Hong Kong and 117 were located in the PRC. Employee cost, including directors' remuneration, was approximately HK\$6.1 million for the period under review. The Company remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

Capital structure

There has been no change in the capital structure of the Company for the period under review.

Significant investments

There has been no change for the significant investments held by the Group during the period under review.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2003.

Future plans for material investments or capital assets

In view of the anticipated growth in demand of smart cards in the PRC, and the sluggish market in the smart card application system, the Directors intend to expand the production facilities so as to satisfy the substantial growth in the smart card industry. With the commencement of operation in Beijing, the Group has been and is going to purchase additional machineries and equipments for production with a view to expand its smart card manufacturing.

Segmental information

Details have been set out in Note 2 under “Notes to the Unaudited Interim Financial Statements” and further elaborated under “Financial Review” of this section.

Charge on group assets and contingent liabilities

As at 30 June 2003, the Group has total bank balances of HK\$12.47 million of which bank deposits of HK\$2.44 million were pledged as collateral for the banking facilities of the subsidiaries of the Company.

The Group did not have any significant contingent liabilities as at 30 June 2003.

Gearing ratio

As at 30 June 2003, the shareholders’ fund of the Group was HK\$48.81 million. The Group has outstanding long-term obligations under finance leases of HK\$3.82 million as at 30 June 2003. The gearing expressed as a ratio of total long-term debts to shareholders’ fund was 7.8% as of 30 June 2003 (2002: zero).

Exposure to fluctuations in exchange rates

Most of the assets and liabilities of the Group was denominated in HK dollars and US dollars. Due to the Currency Board System in Hong Kong, the Directors consider that the Group is not significantly exposed to foreign currency exchange risk. No hedging or other alternatives have been implemented.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the six-month period ending 30 June 2003:

Business objectives as stated in the Prospectus dated 13 December 2001	Actual business progress for six-month period ending 30 June 2003
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Product/application system development and enhancement

- | | |
|--|---|
| 1. Continue the development and enhancement of the third generation of PMIS which runs on UNIX and Oracle platforms | Completed |
| 2. Continue the development and enhancement of the kiosk smart card reader for fare collection | Suspended due to continued unfavorable market condition |
| 3. Continue the development and enhancement of MCS which runs on <i>Windows CE</i> with pocket PC mobile and wireless solution | Suspended due to continued unfavorable market condition |
| 4. Launch IVS integrating with smart card technology for access control purpose | Suspended due to sluggish market demand |

Research and Development

- | | |
|--|---|
| 1. Commence the development of smart card application in banking and finance products and services | Suspended due to sluggish market demand |
| 2. Evaluate the feasibility of smart card application for network security | Suspended due to sluggish market demand |

Licence and certificate development

- | | |
|----------------------------------|---|
| 1. Obtain ISO 9000 accreditation | The Group’s subsidiary, Intercard Limited, obtained the certification for its operation of a Quality Management system, which complies with the requirements of BS EN ISO9001:2000 for the design and manufacture of printed plastic card |
|----------------------------------|---|

USE OF PROCEEDS

At the initial public offering of the Company's share in December 2001, the Company raised net proceeds of approximately HK\$29 million (the "IPO Proceeds"). A proposed change of the use of proceeds was made on 14 March 2003. Further details of the proposed change of the use of proceeds was set out in the Company's announcement made on 14 March 2003. The IPO Proceeds have been applied in the following areas:

	Use of the IPO Proceeds as stated in the Prospectus <i>HK\$ million</i>	Use of the IPO Proceeds after proposed change on 14 March 2003 <i>HK\$ million</i>	The IPO Proceeds utilized up to 30 June 2003 <i>HK\$ million</i>
Sales and marketing activities	8.8	8.8	4.7
Expansion of production capacity	7.5	9.0	9.0
Research and development in smart card related technologies	6.0	6.0	2.3
Research and development in product/application system development and enhancement	5.0	3.5	1.0
General working capital	1.7	1.7	1.7
	<u>29.0</u>	<u>29.0</u>	<u>18.7</u>

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2003 (2002: Nil).

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTEREST IN SHARE CAPITAL AND OPTIONS

(a) Share Capital

As at 30 June 2003, the interests or short position of the Directors in share and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to Rule 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Note	Number of Shares held				Total
		Personal Interest	Family Interest	Corporate Interest	Other Interest	
WONG Hon Sing	1	–	–	153,300,000	–	153,300,000
WONG Chi Ming		6,132,000	–	–	–	6,132,000
HO Lut Wa, Anton		6,132,000	–	–	–	6,132,000
WONG Ka Chu		3,504,000	–	–	–	3,504,000

Note 1: 153,300,000 Shares are held by Carkey Limited which is wholly owned by Mr. WONG Hon Sing.

(b) Share Options

Pursuant to a pre-IPO share option scheme (the “Pre-IPO Scheme”) adopted by the Company on 6 December 2001, the Company had granted pre-IPO options on the Company’s ordinary shares to the following Directors. Details of the share options outstanding as at 30 June 2003 were as follows:

Name of Director	Date of Grant	Number of options	
		outstanding as at 30 June 2003	Exercise price of options HK\$
WONG Hon Sing	6 December 2001	4,000,000	0.282
WONG Chi Ming	6 December 2001	4,000,000	0.282
HO Lut Wa, Anton	6 December 2001	8,000,000	0.282
WONG Ka Chu	6 December 2001	4,000,000	0.282
LEI Heong Man	6 December 2001	4,000,000	0.282

2 employees of the Group have been granted 4,800,000 options on 6 December 2001 at an exercise price of HK\$0.282.

The Company had granted a total of 28,800,000 options under the Pre-IPO Share Option Scheme to its executive Directors and employees.

None of the options granted under the Pre-IPO Scheme have been exercised, cancelled or lapsed during the period from the date of grant of such options to 30 June 2003.

On 6 December 2001, the shareholders of the Company adopted a share option scheme (the “Share Option Scheme”), the terms of which set out in the Appendix IV of the Prospectus under the section headed “Share Option Schemes”.

As at 30 June 2003, no option has been granted or agreed to be granted pursuant to the Share Option Scheme.

Save as disclosed above, as at 30 June 2003, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to Rule 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the six months ended 30 June 2003 was the Company or any of its subsidiaries a party to any arrangements to enable any director or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following persons had an interest or short position in the shares or underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO, or were directly or indirectly, interested in 10% or more of the issued share capital of the Company carrying rights to vote in all circumstances at general meeting of any other members of the Group.

Name of shareholder	<i>Note</i>	Number of shares	Percentage held of interests
Carkey Limited	(i)	153,300,000	47.9
Wong Hon Sing	(i)	153,300,000	47.9
i-Concepts Investment Limited	(ii)	58,400,000	18.3
Dickson Group Holdings Limited	(ii)	58,400,000	18.3

Notes:

- (i) Mr. Wong Hon Sing is deemed to be a substantial shareholder of the Company by reason of his 100% beneficial interest in Carkey Limited. The Shareholding is duplicated in the directors' and chief executive's interests disclosed above.
- (ii) i-Concepts Investment Limited is a wholly owned subsidiary of Dickson Group Holdings Limited, a listed company on the main board of the Stock Exchange and Dickson Group Holdings Limited is therefore deemed to be interested in the Shares.

Save as disclosed above, as at 30 June 2003, the Directors of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO, or directly or indirectly, interested in 10% or more of the issued share capital of the Company carrying rights to vote in all circumstances at general meeting of any other members of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprised two independent non-executive Directors, namely, Ms WONG Ka Wai, Jeanne and Mr. LEUNG Ka Kui, Johnny.

The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the board of Directors.

The Group's unaudited results for the six months ended 30 June 2003 have been reviewed by the audit committee.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

During the six months ended 30 June 2003, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

COMPETING INTERESTS

As at 30 June 2003, none of the directors or the management shareholders (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

INTEREST OF SPONSOR

As at 30 June 2003, as notified by Tai Fook Capital Limited (the “Sponsor”), the Company’s sponsor, neither the Sponsor nor its directors or employees or associates had any interest in the share capital of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the agreement dated 13 December 2001 entered in between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company’s retained sponsor for the period from 20 December 2001, the date on which the shares of the Company are listed, until 31 December 2003.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2003, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Company’s shares during the period.

By Order of the Board
WONG Chi Ming
Chairman

Hong Kong, 8 August 2003