



CARDLINK TECHNOLOGY GROUP LIMITED

鐳聯科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8066)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2006

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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 GEM 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 for the first six months of 2006 was approximately HK\$29,198,000, representing a decrease of approximately 9.5% as compared with that of the corresponding period in 2005.
- The Directors do not recommend any payment of an interim dividend for the six months ended 30 June 2006.

UNAUDITED INTERIM RESULTS

The board of Directors announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and the six months ended 30 June 2006 together with the comparative figures for the corresponding periods in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2006	2005	2006	2005
	Note	HK\$	HK\$	HK\$	HK\$
Turnover	2	15,222,474	14,808,893	29,197,976	32,251,526
Cost of sales		(12,585,921)	(9,637,019)	(23,735,896)	(22,071,487)
Gross profit		2,636,553	5,171,874	5,462,080	10,180,039
Other revenue	3	87,705	43,975	141,689	60,347
Selling and distribution costs		(1,243,223)	(1,343,800)	(2,580,053)	(2,806,760)
Administrative expenses		(3,413,683)	(2,606,857)	(6,627,196)	(5,269,786)
Finance costs		(217,774)	(84,118)	(415,859)	(169,479)
(Loss) Profit before taxation	4	(2,150,422)	1,181,074	(4,019,339)	1,994,361
Taxation	5	(41,906)	(300,000)	(41,906)	(300,000)
(Loss) Profit attributable to shareholders		(2,192,328)	881,074	(4,061,245)	1,694,361
Basic (loss) earnings per share	7	(0.69) cents	0.28 cents	(1.27) cents	0.53 cents

CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2006 HK\$	Audited 31 December 2005 HK\$
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		28,420,612	29,018,135
Available-for-sale financial assets	8	2,158,058	2,158,058
Deferred tax assets		493,545	493,545
		<u>31,072,215</u>	<u>31,669,738</u>
Current assets			
Inventories	9	5,602,780	4,097,026
Trade and other receivables	10	25,548,641	25,639,797
Pledged bank deposits	11	4,155,593	4,075,395
Bank balances and cash		3,433,090	6,001,377
		<u>38,740,104</u>	<u>39,813,595</u>
Current liabilities			
Trade and other payables	12	16,456,847	13,998,529
Obligations under finance leases		4,149,948	4,124,193
		<u>20,606,795</u>	<u>18,122,722</u>
Net current assets		<u>18,133,309</u>	<u>21,690,873</u>
Total assets less current liabilities		49,205,524	53,360,611
Non-current liabilities			
Obligations under finance leases		4,876,673	4,965,234
NET ASSETS		<u>44,328,851</u>	<u>48,395,377</u>
CAPITAL AND RESERVES			
Issued capital		32,000,000	32,000,000
Reserves		12,328,851	16,395,377
		<u>44,328,851</u>	<u>48,395,377</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Other reserves <i>HK\$</i>	Exchange difference <i>HK\$</i>	Accumulated profits (losses) <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2005	32,000,000	13,985,669	7	(8,407)	4,059,060	50,036,329
Profit for the period	—	—	—	—	1,694,361	1,694,361
	<u>32,000,000</u>	<u>13,985,669</u>	<u>7</u>	<u>(8,407)</u>	<u>5,753,421</u>	<u>51,730,690</u>
At 30 June 2005	<u>32,000,000</u>	<u>13,985,669</u>	<u>7</u>	<u>(8,407)</u>	<u>5,753,421</u>	<u>51,730,690</u>
At 1 January 2006	32,000,000	13,985,669	7	358,350	2,051,351	48,395,377
(Loss) for the period	—	—	—	—	(4,061,245)	(4,061,245)
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	(5,281)	—	(5,281)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,281)</u>	<u>—</u>	<u>(5,281)</u>
At 30 June 2006	<u>32,000,000</u>	<u>13,985,669</u>	<u>7</u>	<u>353,069</u>	<u>(2,009,894)</u>	<u>44,328,851</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Unaudited	
	Six months ended 30 June	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Net cash generated from (used in) operating activities	1,795,583	(4,057,765)
Net cash (used in) investing activities	(1,093,508)	(575,088)
Net cash (used in) financing activities	(3,190,164)	(1,599,454)
Net (decrease) in cash and cash equivalents	(2,488,089)	(6,232,307)
Cash and cash equivalents brought forward	10,076,772	19,453,418
Cash and cash equivalents carried forward	<u>7,588,683</u>	<u>13,221,111</u>
Analysis of the balances of cash and cash equivalents		
Pledged bank deposits	4,155,593	2,919,200
Bank balances and cash	3,433,090	10,301,911
	<u>7,588,683</u>	<u>13,221,111</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's unaudited interim financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. TURNOVER

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

Analysis of turnover recognised by category are as follows:

	Unaudited Group turnover			
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Sales of smart cards and plastic cards	13,567,881	13,320,883	27,170,045	29,939,787
Sales of smart card application systems	1,618,769	1,422,848	1,940,709	2,198,924
Service and other income	35,824	65,162	87,222	112,815
	<u>15,222,474</u>	<u>14,808,893</u>	<u>29,197,976</u>	<u>32,251,526</u>

3. OTHER REVENUE

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Interest Income	60,858	43,849	114,842	58,721
Sundry Income	26,847	126	26,847	1,626
	<u>87,705</u>	<u>43,975</u>	<u>141,689</u>	<u>60,347</u>

4. (LOSS) PROFIT BEFORE TAXATION

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Staff costs	3,278,531	2,956,043	6,437,361	6,297,236
Cost of inventories	6,858,994	4,749,916	12,189,147	10,525,927
Depreciation of property, plant and equipment	2,298,761	1,430,333	4,517,373	2,845,395
Operating lease charges	653,465	363,828	1,292,054	722,941
	<u>13,089,751</u>	<u>9,500,120</u>	<u>24,435,935</u>	<u>20,391,509</u>

This is arrived at after charging:

Staff costs	3,278,531	2,956,043	6,437,361	6,297,236
Cost of inventories	6,858,994	4,749,916	12,189,147	10,525,927
Depreciation of property, plant and equipment	2,298,761	1,430,333	4,517,373	2,845,395
Operating lease charges	653,465	363,828	1,292,054	722,941
	<u>13,089,751</u>	<u>9,500,120</u>	<u>24,435,935</u>	<u>20,391,509</u>

5. TAXATION

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Deferred taxation in relation to the reversal of tax losses	–	300,000	–	300,000
PRC foreign enterprise income tax paid	<u>41,906</u>	<u>–</u>	<u>41,906</u>	<u>–</u>
	<u>41,906</u>	<u>300,000</u>	<u>41,906</u>	<u>300,000</u>

No provision for Hong Kong Profits Tax has been made as there was no estimated assessable profits for the period (2005: Nil). No provision for PRC foreign enterprise income tax (FEIT) has been made in respect of the Group's subsidiary operating in Beijing, the PRC, as the subsidiary incurred a taxation loss for the period. During the period under review, a FEIT was paid in respect of the financial year of 2005 for the Group's subsidiary operating in Shenzhen, the PRC, which started its operation by the end of 2005. Pursuant to the Income Tax Law and the Detailed Rules for the Implementation of the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises, the PRC subsidiary operating in Beijing is entitled to a 50% reduction from the PRC foreign enterprise income tax for the three years ending 31 December 2008. After paying the FEIT for the financial year of 2005, the PRC subsidiary operating in Shenzhen is entitled to exemption from the PRC foreign enterprise income tax for the two years ending 31 December 2007 and a 50% reduction from the PRC foreign enterprise income tax for the three years ending 31 December 2010.

6. DIVIDEND

The Directors do not recommend any payment of an interim dividend for the six months ended 30 June 2006 (2005: NIL).

7. BASIC (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share for the three months and the six months ended 30 June 2006 is based on the unaudited loss attributable to shareholders for the three months and the six months ended 30 June 2006 of HK\$2,192,328 and HK\$4,061,245 (three months and six months ended 30 June 2005: profit of HK\$881,074 and HK\$1,694,361 respectively) and the weighted average number of 320,000,000 shares (three months and six months ended 30 June 2005: 320,000,000 shares) in issue during the periods.

Diluted loss per share for the three months and the six months ended 30 June 2006 have not been presented as the share options outstanding during the periods have an anti-dilutive effect on the basic loss per share. Diluted earnings per share for the three months and the six months ended 30 June 2005 had not been presented as the exercise price of the share options granted by the Company was higher than the average market price for shares during the relevant periods.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30 June 2006 HK\$	Audited 31 December 2005 HK\$
Unlisted, equity securities, at cost	4,458,058	4,458,058
Less: Impairment loss	<u>(2,300,000)</u>	<u>(2,300,000)</u>
	<u>2,158,058</u>	<u>2,158,058</u>

Unlisted equity securities represent 11.33% equity interest in Guangzhou Tecsun Golden Card Ltd. (廣州德生金卡有限公司), a company registered in the PRC with paid up registered capital of RMB41,700,000.

9. INVENTORIES

	Unaudited 30 June 2006 <i>HK\$</i>	Audited 31 December 2005 <i>HK\$</i>
Raw materials	2,809,197	1,674,683
Work-in-progress	678,768	575,961
Finished goods	2,114,815	1,846,382
	<u>5,602,780</u>	<u>4,097,026</u>

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2006 <i>HK\$</i>	Audited 31 December 2005 <i>HK\$</i>
Trade receivables		
From third parties	19,158,371	18,751,880
Other receivables		
Deposits, prepayment and other debtors	6,390,270	6,887,917
	<u>25,548,641</u>	<u>25,639,797</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 as at the balance sheet date is as follows:

	Unaudited 30 June 2006 <i>HK\$</i>	Audited 31 December 2005 <i>HK\$</i>
Current – 30 days	10,452,899	9,554,129
31 – 90 days	4,818,561	5,105,198
Over 90 days	3,886,911	4,092,553
	<u>19,158,371</u>	<u>18,751,880</u>

11. PLEDGED BANK DEPOSITS

At 30 June 2006, bank deposits of HK\$4,155,593 (31 December 2005: HK\$4,075,395) were pledged as collateral under certain finance lease arrangements for the purchase of machinery.

12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2006 HK\$	Audited 31 December 2005 HK\$
Trade payables		
To third parties	14,617,956	12,325,169
Other payables		
Accrued charges and other creditors	<u>1,838,891</u>	<u>1,673,360</u>
	<u>16,456,847</u>	<u>13,998,529</u>

The ageing analysis of the trade payables as at the balance sheet date is as follows:

	Unaudited 30 June 2006 HK\$	Audited 31 December 2005 HK\$
Current – 30 days	2,981,630	5,847,939
31 – 60 days	1,746,940	852,387
61 – 90 days	3,533,335	969,755
Over 90 days	<u>6,356,051</u>	<u>4,655,088</u>
	<u>14,617,956</u>	<u>12,325,169</u>

13. SEGMENT REPORTING

The Group comprises the following main business segments:

	Sales of smart cards and plastic cards		Sales of smart card application systems		Others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover								
External sales	<u>27,170,045</u>	<u>29,939,787</u>	<u>1,940,709</u>	<u>2,198,924</u>	<u>87,222</u>	<u>112,815</u>	<u>29,197,976</u>	<u>32,251,526</u>
Result								
Segment result	<u>5,131,114</u>	<u>9,911,219</u>	<u>243,744</u>	<u>156,005</u>			<u>5,374,858</u>	<u>10,067,224</u>
Unallocated operating income and expenses							<u>(8,978,338)</u>	<u>(7,903,384)</u>
Finance costs							<u>(415,859)</u>	<u>(169,479)</u>
(Loss) Profit before taxation							<u>(4,019,339)</u>	<u>1,994,361</u>
Taxation							<u>(41,906)</u>	<u>(300,000)</u>
(Loss) Profit attributable to shareholders							<u>(4,061,245)</u>	<u>1,694,361</u>
Assets and liabilities								
Segment assets	<u>49,382,367</u>	<u>43,039,620</u>	<u>541,755</u>	<u>1,822,132</u>			<u>49,924,122</u>	<u>44,861,752</u>
Unallocated assets							<u>19,888,197</u>	<u>26,760,113</u>
Total assets							<u>69,812,319</u>	<u>71,621,865</u>
Segment liabilities	<u>22,752,778</u>	<u>16,261,767</u>	<u>812,550</u>	<u>1,589,237</u>			<u>23,565,328</u>	<u>17,851,004</u>
Unallocated liabilities							<u>1,918,140</u>	<u>2,040,171</u>
Total liabilities							<u>25,483,468</u>	<u>19,891,175</u>
Other information								
Capital expenditure incurred during the period	<u>3,562,528</u>	<u>3,731,443</u>	<u>–</u>	<u>–</u>	<u>565,771</u>	<u>490,627</u>		
Depreciation for the period	<u>3,956,882</u>	<u>2,449,816</u>	<u>–</u>	<u>–</u>	<u>560,491</u>	<u>395,579</u>		

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the six months ended 30 June 2006, the unaudited turnover of the Group was approximately HK\$29,198,000, representing a decline of approximately 9.5% as compared to the same period in 2005 of approximately HK\$32,252,000. The fierce competition in the market since the second half of 2005 had adversely affected the business of the Group. Despite of the difficult environment, turnover for the second quarter of 2006 achieved an increase of approximately 9% as compared to the first quarter of 2006, and the management expects the performance of the Group will be improved in the second half of 2006.

During the period under review, the manufacturing and sales of smart cards and plastic cards continued to be the main focus of the Group's business. Out of the total turnover for the period, approximately HK\$27,170,000 or approximately 93% was generated from the manufacturing and sales of smart cards and plastic cards, and approximately HK\$1,941,000 or approximately 7% was generated from the sale of smart card application systems. Loss attributable to shareholders for the six months ended 30 June 2006 was approximately HK\$4,061,000 (six months ended 30 June 2005: a profit of HK\$1,694,000).

For the period under review, gross profit margin was approximately 18.7%, representing a decrease of approximately 12.9% from approximately 31.6% for the same period in 2005. The drop was primarily due to i) the increase in depreciation charge as a number of specialised machines used in production had been purchased; and ii) the increase in direct wages and overhead costs associated with the new plant in Shenzhen, which was set up in late 2005 with a view to enhancing the Group's competitiveness in the future.

For the six months ended 30 June 2006, the selling and distribution costs recorded a decrease of approximately 8% from approximately HK\$2,807,000 for the six months ended 30 June 2005 to approximately HK\$2,580,000 for the same period in 2006. The decrease in selling and distribution costs was due to the savings in staff costs, but was partly offset by the increases in freight charges and transportation costs. On the other hand, administrative expenses increased by approximately 26% from approximately HK\$5,270,000 for the six months ended 30 June 2005, to approximately HK\$6,627,000 for the same period in 2006. The increase was mainly associated with the new plant in Shenzhen, and also attributable to increase in other expenses like legal and professional fee and rental expenses etc.

Prospects

The management has taken tight measures in cost control, cash flow management and streamlining the operations with a view to ensuring that all facets of the operations are cost effective. The management will continue to implement control measures to reduce its operational costs and is confident that such measures will lay a solid foundation and pave the way for future growth of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the period under review, the Group financed its business operations with cash revenue generated from operating activities and finance lease arrangements. The Group had cash and bank balances of approximately HK\$7.6 million, and finance lease payables of approximately HK\$9 million, as at 30 June 2006.

As at 30 June 2006, the Group had three finance lease arrangements used for financing the acquisition of certain printing machinery and personalization equipment for the production lines in the PRC. The finance leases are all bearing an annual interest of 0.5% over the Hong Kong Prime Rate, repayable in three years, and denominated in Hong Kong dollars.

As at 30 June 2006, the Group had current assets of approximately HK\$38.7 million and current liabilities of approximately HK\$20.6 million. The current ratio, expressed as current assets over current liabilities, was maintained at the satisfactory level of approximately 1.9.

As at 30 June 2006, the shareholders' fund of the Group was approximately HK\$44.3 million. The Group had outstanding long-term obligations under finance leases of approximately HK\$4.9 million as at 30 June 2006. The Group's gearing ratio, expressed as a ratio of total long-term debts to shareholders' fund, was approximately 11% as at 30 June 2006 (31 December 2005: approximately 10.3%).

EMPLOYEE INFORMATION

As at 30 June 2006, the Group employed a total of 483 employees, of which 15 were located in Hong Kong and 468 were located in the PRC. Employee cost, including directors' remuneration, was approximately HK\$6.4 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.

SIGNIFICANT INVESTMENTS

With the exception of the investment disclosed in Note 8 under "Notes to the Unaudited Interim Financial Statements", there were no other significant investments for the period ended 30 June 2006.

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 2006.

SEGMENTAL INFORMATION

Details have been set out in Note 13 under “Notes to the Unaudited Interim Financial Statements” and are further elaborated under “Business and Financial Review” section.

CHARGES ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2006, the Company’s bank deposits of approximately HK\$4.2 million were pledged as collateral for the finance lease arrangements of the subsidiaries of the Company.

The Company and two subsidiaries have executed corporate guarantees to the bank in respect of the banking facilities granted to certain subsidiaries to the extent of approximately HK\$12.6 million (31 December 2005: approximately HK\$15.6 million) of which approximately HK\$9 million (31 December 2005: approximately HK\$9.1 million) was outstanding as at 30 June 2006.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2006, there were no future plans for material investments or capital assets.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the transactions of the Group were denominated in Hong Kong dollars, United States dollars and Renminbi. Due to the Currency Board System in Hong Kong and the fact that the exchange rate of Hong Kong dollars against Renminbi was relatively stable during the period under review, the Group’s exposure to exchange rate risk was considered to be minimal. No hedging or other alternatives have been implemented.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company dated 6 December 2001, two share option schemes, namely the pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) and the share option scheme (“Share Option Scheme”), were approved and adopted. The summary of the terms of the two share option schemes is set out below.

(i) Share Option Scheme

Under the Share Option Scheme, the board of Directors or a duly authorised committee thereof which shall include the independent non-executive Directors may, at its discretion, invite any employee including any executive director of any company in the Group to take up options at HK\$1.00 per option to subscribe for shares in the Company (the “Shares”) at the higher of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date of offer, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediate preceding the date of offer and (iii) the nominal value of a Share, subject to a maximum of 10% of the total number of Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other share option schemes of the Company (but excluding the Pre-IPO Share Option Scheme in respect of 28,800,000 shares) shall not exceed 10% of the total number of Shares in issue immediately following completion of the Placing and Capitalisation Issue.

No share options were granted by the Company under this scheme during the six months ended 30 June 2006.

(ii) Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognise and motivate the contribution of employees to the growth of the Group. On 6 December 2001, options to subscribe for an aggregate of 28,800,000 Shares at an exercise price of HK\$0.282 per share were granted by the Company to the Directors and certain employees of the Group. Pursuant to the Pre-IPO Share Option Scheme, five executive Directors of the Group were granted options to subscribe for an aggregate of 24,000,000 Shares in the Company and two senior management staff were granted options to subscribe for an aggregate of 4,800,000 Shares in the Company.

Each of the grantee to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise any time after the expiry of 12 months from the listing date and end on 5 December 2011 (both date inclusive). Upon acceptance of the grant of options, each grantee pays to the Company HK\$1.00.

As at 30 June 2006, the total number of Pre-IPO share options outstanding was 12,000,000.

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

As at 30 June 2006, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in the Shares of the Company

Name of Director	Number of Shares				Total	Percentage of interests
	Personal interest	Family interest	Corporate interest	Other interest		
Ho Lut Wa, Anton	6,132,000	–	–	–	6,132,000	1.9

(ii) Rights to subscribe for Shares in the Company

As at 30 June 2006, personal interest of the Directors in share options to subscribe for shares in the Company pursuant to the Company's Pre-IPO Share Option Scheme were as follows:

Director	Date of grant	Outstanding as at 30 June 2006	Exercise price per share HK\$	Exercisable period
Ho Lut Wa, Anton	6 December 2001	8,000,000	0.282	20 December 2002 – 5 December 2011

Save as disclosed above, as at 30 June 2006, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or 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 taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the following persons/companies had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholders	Note	Number of shares held	Percentage of interests
Best Heaven Limited	1	83,300,000	26.03
Chu Chen-lin	1	83,300,000	26.03
i-Concepts Investment Limited	2, 3	58,400,000	18.25
Dickson Group Holdings Limited	2, 3	58,400,000	18.25
Sonic Power Limited	3	58,400,000	18.25
Wong Hon Sing	3	58,400,000	18.25
Giant International Asset Group Limited	4	22,500,000	7.03
United International Asset Limited	4	22,500,000	7.03
Chen Hui Chen	4	22,500,000	7.03

Notes:

1. Mr. Chu Chen-lin is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Best Heaven Limited.
2. Dickson Group Holdings Limited, a listed company on the Main Board of the Stock Exchange, is deemed to be interested in 58,400,000 shares of the Company by virtue of its 100% interest in i-Concepts Investment Limited.
3. i-Concepts Investment Limited has pledged its entire shareholding interest in the Company to Sonic Power Limited which is wholly owned by Mr. Wong Hon Sing. Therefore, each of Sonic Power Limited and Mr. Wong Hon Sing is deemed to be interested in 58,400,000 shares of the Company.
4. Giant International Asset Group Limited is 33.33% held by United International Asset Limited which in turn is 100% held by Ms. Chen Hui Chen.

Save as disclosed above, as at 30 June 2006, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital rights to vote in all circumstances at general meetings of any other member of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in such code of conduct throughout the six months ended 30 June 2006.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Mr. Leung Ka Kui, Johnny and Mr. Wong Wai Kwong, David. The chairman of the audit committee is Ms. Wong Ka Wai, Jeanne.

The Group's unaudited results for the three months and the six months ended 30 June 2006 have been reviewed by the audited committee.

COMPETING INTERESTS

As at 30 June 2006, none of the directors or the management shareholders or any of their respective associates (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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Lily Wu
Chairman

Hong Kong, 14 August 2006