CARDLINK TECHNOLOGY GROUP LIMITED
鍇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 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE").

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 (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.

SUMMARY

- The Group recorded an unaudited revenue of about HK$66,060,000 for the six months ended 30 June 2009, representing a drop of 6.2% as compared with that of the corresponding period in 2008.

- The unaudited profit attributable to equity holders of the Company for the six months ended 30 June 2009 was about HK$4,117,000.

- For the three months and the six months ended 30 June 2009, the basic earnings per share were about HK$0.0033 and about HK$0.0090 respectively.

- The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2009.

INTERIM RESULTS

The board (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 2009 together with the comparative figures for the corresponding periods in 2008 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 30 June		**Six months ended 30 June**	
		2009	2008	**2009**	2008
	Notes	***HK$***	*HK$*	***HK$***	*HK$*
Revenue	*2*	**33,024,103**	35,402,419	**66,060,293**	70,431,277
Cost of sales		**(21,899,827)**	(23,138,115)	**(43,559,761)**	(46,555,486)
Gross profit		**11,124,276**	12,264,304	**22,500,532**	23,875,791
Other revenue	*3*	**70,287**	54,734	**80,665**	261,506
Selling and distribution costs		**(1,452,208)**	(2,064,976)	**(2,978,374)**	(3,862,628)
Administrative expenses		**(5,837,592)**	(5,644,491)	**(12,020,843)**	(11,518,146)
Finance costs	*4*	**(92,713)**	(91,921)	**(205,319)**	(202,395)
Profit before income tax	*4*	**3,812,050**	4,517,650	**7,376,661**	8,554,128
Income tax expense	*5*	**(2,315,726)**	(709,622)	**(3,259,705)**	(1,540,612)
Profit attributable to equity holders of the Company		**1,496,324**	3,808,028	**4,116,956**	7,013,516
Earnings per share	*7*				
Basic		**0.33 cents**	0.85 cents	**0.90 cents**	1.57 cents
Diluted		**0.33 cents**	n/a	**n/a**	n/a

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six-month period ended 30 June 2009 *HK$*	Six-month period ended 30 June 2008 *HK$*	**Three-month period ended 30 June 2009** *HK$*	Three-month period ended 30 June 2008 *HK$*
Profit for the period	**4,116,956**	7,013,516	**1,496,324**	3,808,028
Other comprehensive income:				
Exchange differences on translating foreign operations	**1,293,830**	1,580,490	**343,752**	637,749
Income tax relating to components of other comprehensive income	**–**	–	**–**	–
Other comprehensive income for the period, net of tax	**1,293,830**	1,580,490	**343,752**	637,749
Total comprehensive income for the period	**5,410,786**	8,594,006	**1,840,076**	4,445,777
Total comprehensive income attributable to equity holders of the Company	**5,410,786**	8,594,006	**1,840,076**	4,445,777

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2009** *HK$*	Audited 31 December 2008 *HK$*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**36,387,670**	40,179,593
Interest in associates	*8*	**1,135,136**	1,135,136
Available-for-sale financial assets	*9*	**27,461,681**	27,461,681
		64,984,487	68,776,410
Current assets			
Inventories	*10*	**5,120,155**	7,841,812
Trade and other receivables	*11*	**40,034,546**	36,509,513
Pledged bank deposits	*12*	**926,898**	926,615
Bank balances and cash		**37,892,326**	42,698,969
		83,973,925	87,976,909
Current liabilities			
Trade and other payables	*13*	**22,457,296**	22,720,555
Taxation		**2,576,167**	1,526,167
Borrowings		**6,163,399**	10,766,460
		31,196,862	35,013,182
Net current assets		**52,777,063**	52,963,727
Total assets less current liabilities		**117,761,550**	121,740,137
Non-current liabilities			
Borrowings		**4,711,068**	7,817,195
Deferred tax liabilities		**124,618**	466,364
		4,835,686	8,283,559
Net assets		**112,925,864**	113,456,578
EQUITY			
Share capital		**45,910,000**	45,810,000
Reserves		**67,015,864**	67,646,578
Total equity		**112,925,864**	113,456,578

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$*	Contributed surplus *HK$*	Share option reserve *HK$*	Other reserves *HK$*	Exchange difference *HK$*	Available-for sale financial assets revaluation reserve *HK$*	Accumulated profits *HK$*	Total *HK$*
At 1 January 2008	44,600,000	42,555,169	–	7	2,768,523	–	10,131,108	100,054,807
Total comprehensive income for the period	–	–	–	–	1,580,490	–	7,013,516	8,594,006
2007 final dividend paid during the period	–	(6,690,000)	–	–	–	–	–	(6,690,000)
At 30 June 2008	44,600,000	35,865,169	–	7	4,349,013	–	17,144,624	101,958,813
At 1 January 2009	45,810,000	51,611,489	2,448,014	7	4,994,418	(5,915,760)	14,508,410	113,456,578
Total comprehensive income for the period	–	–	–	–	1,293,830	–	4,116,956	5,410,786
Issue of new shares upon exercise of share options	100,000	830,000	–	–	–	–	–	930,000
2008 final dividend paid during the period	–	(6,871,500)	–	–	–	–	–	(6,871,500)
At 30 June 2009	45,910,000	45,569,989	2,448,014	7	6,288,248	(5,915,760)	18,625,366	112,925,864

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2009	2008
	HK$	*HK$*
Net cash generated from (used in) operating activities	**11,194,383**	(87,904)
Net cash used in investing activities	**(2,511,400)**	(6,819,824)
Net cash used in financing activities	**(13,793,119)**	(9,576,339)
Net decrease in cash and cash equivalents	**(5,110,136)**	(16,484,067)
Cash and cash equivalents brought forward	**42,698,969**	54,178,958
Effect of foreign exchange rate changes	**303,493**	–
Cash and cash equivalents carried forward	**37,892,326**	37,694,891

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 the GEM Listing Rules and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted and methods of computation are consistent with those followed in the preparation of the Company's audited financial statements for the year ended 31 December 2008, except for the following amendments and interpretations issued by HKICPA which are or have become effective, and did not have any material impact on the accounting policies of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Improving Disclosure about Financial Instruments
HKFRS 8	Operating segments
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments Recognition and Measurement
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation

The Group's unaudited results for the three months and the six months ended 30 June 2009 have been reviewed by the audit committee.

2. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and income from provision of services. Revenue recognized during the period is as follows:

	Unaudited Three months ended 30 June		**Unaudited Six months ended 30 June**	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Sales of smart cards and plastic cards	**33,016,853**	35,359,383	**66,049,543**	70,303,384
Sales of smart card application systems	**7,250**	9,620	**10,750**	59,680
Service and other income	**–**	33,416	**–**	68,213
	33,024,103	35,402,419	**66,060,293**	70,431,277

3. OTHER REVENUE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Interest Income	**9,526**	50,756	**18,097**	239,393
Gain on disposal of property, plant and equipment	**10,226**	–	**11,601**	–
Sundry Income	**50,535**	3,978	**50,967**	22,113
	70,287	54,734	**80,665**	261,506

4. PROFIT BEFORE INCOME TAX

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
Profit before income tax is arrived at after charging:				
(a) Finance costs				
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**25,166**	91,921	**62,889**	202,395
Finance charges on obligations under finance leases	**67,547**	–	**142,430**	–
	92,713	91,921	**205,319**	202,395
(b) Other items				
Cost of inventories	**21,899,827**	23,138,115	**43,559,761**	46,555,486
Staff costs	**6,340,624**	6,073,880	**12,316,915**	12,187,458
Depreciation	**3,404,847**	2,908,139	**6,692,623**	5,909,565
Research and development costs	**11,210**	46,380	**24,310**	46,380
Operating lease charges on land and buildings	**932,012**	699,512	**1,874,862**	1,655,468

5. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% *(2008: 16.5%)* on the Group's estimated assessable profits arising from Hong Kong during the period. Taxation for subsidiaries incorporated in the People's Republic of China ("PRC") is charged at the appropriate current rates of taxation ruling in the PRC.

Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Enterprise Income Tax ("EIT") as follows:

Beijing Venus Technology Limited is exempted from EIT for three years ending 31 December 2005 and was granted a 50% reduction in EIT for the period from 1 January 2006 to 31 December 2007. Beijing Venus Technology Limited is currently subject to income tax on its taxable income at a rate of 25%.

During this quarter, an underprovision of EIT of HK$1,238,153 was made as a revised tax ruling in respect of the financial year ended 31 December 2008 was issued to Beijing Venus Technology Limited by the tax authority in Beijing. Under the new ruling, Beijing Venus Technology Limited was not qualified for and hence was not entitled to certain tax concessions of being a new technology company. Accordingly, Beijing Venus Technology Limited was subject to EIT at the rate of 25%, instead of 7.5%, for the year ended 31 December 2008.

Topwise Technology (SZ) Limited is exempted from EIT for two years ending 31 December 2007 and was granted a 50% reduction in EIT for the period from 1 January 2008 to 31 December 2010.

	Unaudited Three months ended 30 June		**Unaudited Six months ended 30 June**	
	2009	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*
The charge comprises:				
Current tax				
Hong Kong Profits Tax	**384,000**	527,000	**1,050,000**	948,000
PRC Enterprise Income Tax	**922,131**	225,080	**1,313,298**	592,612
	1,306,131	752,080	**2,363,298**	1,540,612
Underprovision of PRC Enterprise Income Tax in prior year	**1,238,153**	–	**1,238,153**	–
	2,544,284	752,080	**3,601,451**	1,540,612
Deferred tax recognized in the income statement				
Types of temporary differences:				
Depreciation allowances	**(228,558)**	(42,458)	**(341,746)**	–
Total tax charge for the period	**2,315,726**	709,622	**3,259,705**	1,540,612

6. DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2009 *(2008: NIL)*.

The final dividend of HK$0.015 *(2007: HK$0.015)* per share for the year ended 31 December 2008 had been approved and was paid before 8 May 2009.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and the six months ended 30 June 2009 is based on the unaudited profit attributable to equity holders of the Company for the three months and the six months ended 30 June 2009 of HK$1,496,324 and HK$4,116,956 *(three months and six months ended 30 June 2008: HK$3,808,028 and HK$7,013,516 respectively)* and the weighted average number of 458,319,780 and 458,210,497 *(three months and six months ended 30 June 2008: 446,000,000)* ordinary shares respectively in issue during the periods.

The calculation of diluted earnings per share for the three months ended 30 June 2009 is based on the unaudited profit attributable to equity holders of the Company for the three months ended 30 June 2009 of HK$1,496,324 and the weighted average number of 458,662,742 ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Unaudited Three months ended 30 June 2009
Weighted average number of ordinary shares	**458,319,780**
Effect of deemed issue of shares under the Company's share option scheme	**342,962**
Weighted average number of ordinary shares (diluted)	**458,662,742**

Diluted earnings per share for the three months and the six months ended 30 June 2008 had not been presented as the Company has no dilutive potential ordinary shares during the periods. Diluted earnings per share for the six months ended 30 June 2009 has 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 period.

8. INTEREST IN ASSOCIATES

	Unaudited 30 June 2009 ***HK$***	Audited 31 December 2008 *HK$*
Share of net assets	**1,135,136**	1,135,136

Details of the Group's associates are as follows:

Name of company	**Place of incorporation**	**Particulars of issued and paid-up share capital/ paid-up registered capital**	**Group's Effective interest**	**Principal activities**
力欣房地產經紀（上海）有限公司	PRC	RMB$5,000,000 registered capital	20%	Real Estate Advisory

The summarised financial information of the Group's associates are as follows:

	30 June 2009 ***HK$***	31 December 2008 *HK$*
Assets	**5,506,191**	5,076,054
Liabilities	**(570,384)**	(160,045)
Revenues	**1,347,793**	1,219,352
Gain/(Loss)	**16,492**	(761,991)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30 June 2009 *HK$*	Audited 31 December 2008 *HK$*
Investment in unlisted securities, at fair value *(note a)*	**25,303,623**	25,303,623
Investment in unlisted equity securities, at cost *(note b)*	**4,458,058**	4,458,058
Less: Impairment loss	**(2,300,000)**	(2,300,000)
	2,158,058	2,158,058
	27,461,681	27,461,681

(a) During the year ended 31 December 2008, the Group acquired the Series A Preferred Shares issued by Hota (USA) Holding Corp. ("Hota USA") with a principal amount of US$4,000,000 (approximately HK$31,219,383) (the "Preferred Shares"). The Preferred Shares are entitled to receive 5% non-cumulative dividends and are convertible, at any time after the date of issuance, into fully paid common stock of Hota USA. The Preferred Shares can be redeemed at 100% of the respective outstanding principal amount, together with their unpaid dividend, by 3rd Quarter of 2012.

The fair value of the investment in unlisted securities is determined by the directors of the Company with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuers. During the year of 2008, the fair value loss recognised directly in equity amounted to HK$5,915,760.

At 30 June 2009, the carrying amount of interests in Hota USA exceeded 10% of total assets of the Group.

Name of company	**Place of incorporation**	**Particulars of issued share held**	**Principal activities**
Hota (USA) Holding Corp.	United State of America	US$4,000,000 Preferred A shares	Resources recycling

(b) Unlisted equity securities with a carrying amount of HK$2,158,058 *(31 December 2008: HK$2,158,058)* 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.

The unlisted equity securities are measured at cost less impairment losses as they do not have quoted market prices in active markets and the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group plans to hold these investments for the foreseeable future.

10. INVENTORIES

	Unaudited 30 June 2009 *HK$*	Audited 31 December 2008 *HK$*
Raw materials	**2,615,207**	3,904,377
Work-in-progress	**1,233,490**	1,396,045
Finished goods	**1,271,458**	2,541,390
	5,120,155	7,841,812

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2009 *HK$*	Audited 31 December 2008 *HK$*
Trade receivables		
From third parties	**30,081,188**	28,748,894
Other receivables		
Deposits, prepayment and other debtors	**9,953,358**	7,760,619
	40,034,546	36,509,513

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

	Unaudited 30 June 2009 *HK$*	Audited 31 December 2008 *HK$*
0 – 30 days	**12,239,154**	11,685,304
31 – 90 days	**14,348,095**	13,552,311
Over 90 days	**3,493,939**	3,511,279
	30,081,188	28,748,894

The ageing analysis of trade receivables that are not impaired, based on due date is as follows:

	Unaudited 30 June 2009 *HK$*	Audited 31 December 2008 *HK$*
Neither past due nor impaired	**19,026,621**	19,268,201
1 – 30 days past due	**4,294,129**	5,619,588
31 – 90 days past due	**4,341,021**	1,440,993
Over 90 days past due	**2,419,417**	2,420,112
	30,081,188	28,748,894

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on the past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. PLEDGED BANK DEPOSITS

At 30 June 2009, a bank deposit of HK$926,898 *(31 December 2008: HK$926,615)* was pledged by a subsidiary of the Company as collateral under certain bank loans for general working capital.

13. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2009	Audited 31 December 2008
	HK$	*HK$*
Trade payables		
To third parties	**16,747,968**	18,305,738
Other payables		
Accrued charges and other creditors	**5,709,328**	4,414,817
	22,457,296	22,720,555

Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2009	Audited 31 December 2008
	HK$	*HK$*
0 – 30 days	**5,714,175**	4,416,106
31 – 60 days	**3,744,393**	9,116,058
61 – 90 days	**3,091,657**	1,985,527
Over 90 days	**4,197,743**	2,788,047
	16,747,968	18,305,738

14. SEGMENT REPORTING

The Group comprises the following main business segments:

	Sales of smart cards and plastic cards Six months ended 30 June		Sales of smart card application systems Six months ended 30 June		Others Six months ended 30 June		Consolidated Six months ended 30 June	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Revenue								
External sales	**66,049,543**	70,303,384	**10,750**	59,680	**–**	68,213	**66,060,293**	70,431,277
Result								
Segment results	**8,861,307**	9,748,279	**1,637**	13,350	**–**	–	**8,862,944**	9,761,629
Unallocated operating income and expenses							**(1,280,964)**	(1,005,106)
Finance costs							**(205,319)**	(202,395)
Profit before income tax							**7,376,661**	8,554,128
Income tax expense							**(3,259,705)**	(1,540,612)
Profit for the period							**4,116,956**	7,013,516
Assets and liabilities								
Segment assets	**66,406,710**	79,285,745	**1,588,962**	1,597,169			**67,995,672**	80,882,914
Interest in associates							**1,135,136**	–
Unallocated assets							**79,827,604**	58,153,111
Total assets							**148,958,412**	139,036,025
Segment liabilities	**17,729,190**	23,002,658	**1,294,088**	1,827,407			**19,023,278**	24,830,065
Unallocated liabilities							**17,009,270**	12,247,147
Total liabilities							**36,032,548**	37,077,212
Other information								
Capital expenditure incurred during the period	**2,371,651**	10,924,094	**–**	–	**175,079**	721,412	**2,546,730**	11,645,506
Depreciation for the period	**6,046,245**	5,345,244	**–**	–	**646,378**	564,321	**6,692,623**	5,909,565

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the period under review, the Group was principally engaged in the manufacturing and sales of smart cards and plastic cards. The Group was also engaged in the provision of customised smart card application systems.

The business environment was challenging in the first half of 2009, and the Group faced both sales and pricing pressures from the market. For the six months ended 30 June 2009, revenue of the Group amounted to HK$66.1 million, representing a drop of HK$4.4 million or 6.2%, as compared to HK$70.5 million for the corresponding period in 2008. We anticipate that this adverse market condition may last for a certain period of time.

To cope with a possible prolonged economic setback, the management aims at, including but not limited to, enhancing the production efficiency and seeking cost and expense savings wherever possible. During the period under review, cost of sales dropped by HK$3 million or 6.4%, from HK$46.6 million for the six months ended 30 June 2008, to HK$43.6 million. The decrease was partly due to the drop in sales, partly due to a change in sales mix favoring personalisation services which has lower cost of sales, and partly due to the implementation of various cost control measures. Therefore, despite the drop in average selling price, the gross profit margin for the first half of 2009 actually increased slightly to 34.1%, as compared to 33.9% for the corresponding period in 2008. However, gross profit for the six months ended 30 June 2009 dropped by HK$1.4 million, or 5.8%, from HK$23.9 million in 2008, to HK$22.5 million.

During the period under review, selling and distribution costs recorded a decrease of HK$0.9 million or 22.9%, from HK$3.9 million in 2008 to HK$3 million. The decrease was attributable primarily to decreases in overseas travelling expenses, freight charges, and commission paid as a result of the drop in sales.

On the other hand, administrative expenses recorded an increase of HK$0.5 million or 4.4%, from HK$11.5 million in 2008 to HK$12.0 million in 2009. The increase was primarily attributable to the increase in exchange loss arising from the appreciation of Renminbi against Hong Kong Dollar, the increase in salary due to appointment of key staff but partly offset by the decrease in other operating expenses like legal and professional fees and various office expenses.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2009, the Group financed its business operations with cash revenue generated from operating activities, bank loans and finance lease arrangements. As at 30 June 2009, the Group had cash and bank balances of HK$38.8 million, finance lease payable of HK$8.4 million and secured bank loans of HK$2.5 million.

As at 30 June 2009, the Group had current assets of HK$84.0 million and current liabilities of HK$31.2 million. The current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of about 2.7.

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total bank borrowings to total tangible assets of the Group, was 7.3% as at 30 June 2009 *(31 December 2008: 11.9%)*. Accordingly, the financial position of the Group has remained very liquid.

EMPLOYEE INFORMATION

As at 30 June 2009, the Group employed a total of 534 employees, of which 15 were located in Hong Kong and the rest were located in the PRC. Employee cost, including directors' remuneration, was about HK$12.3 million for the period under review. The Group 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 notes 8 and 9 under "Notes to the Unaudited Interim Financial Statements", there were no other significant investments for the period ended 30 June 2009.

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 2009.

SEGMENT INFORMATION

Details have been set out in note 14 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

At 30 June 2009, a bank deposit and certain plant and machinery with the carrying amounts of HK$926,898 and HK$6,088,271 respectively were pledged by the Company's subsidiaries as collaterals to secure general banking facilities granted to the Group.

The Company and a subsidiaries have provided guarantees of repayment in respect of bank loans and finance leases obligations of other subsidiaries amounting to HK$34,053,552 *(31 December 2008: HK$44,053,552)* of which HK$10,874,467 *(31 December 2008: HK$18,583,655)* was outstanding as at 30 June 2009.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to consolidate its existing businesses while exploring new business opportunities that will complement and enhancing its existing businesses.

On 29 July 2009, Fine Wise Holdings Limited ("Fine Wise"), an indirect wholly owned subsidiary of the Company, entered into the Stock Purchase Agreement with Hota (USA) Holding Corp. ("Hota (USA)"), pursuant to which, Hota (USA), as issuer, has agreed to allot and issue, and Fine Wise, as subscriber, has agreed to subscribe for an additional 150,000 Series A Preferred Shares for an aggregate subscription price of USD6,000,000 (equivalent to approximately HK$46,800,000) at the subscription price of USD40 (equivalent to approximately HK$312) for each Series A Preferred Share.

Assuming there is no other changes in the share capital of Hota (USA), upon (i) completion of the allotment and issued of the 187,500 Series A Preferred Shares by Hota (USA); and (ii) the adjustment of the initial subscription price of USD100 (equivalent to approximately HK$780) of the Series A Preferred Shares to USD40 (equivalent to approximately HK$312), Hota (USA) will have 64,286 shares of Hota Common Stock and 337,500 Series A Preferred Shares in issue, and Fine Wise will be interested in 250,000 Series A Preferred Shares, representing approximately 74.07% of the entire Series A Preferred Shares then in issue and 62.22% of the issued share capital of Hota (USA) as enlarged by the allotment and issue of the 337,500 shares in the Hota common stock upon exercise of the conversion rights attaching to the 337,500 Series A Preferred Shares in full.

After completion of the subscription, Hota (USA) will be treated as a jointly-controlled entity of the Company. Please refer to the announcement of the Company dated 30 July 2009 for details.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in Renminbi ("RMB"), Great British Pounds ("GBP"), Euro ("EUR") and United Stated Dollars ("US$"). These are not the functional currencies of the Group entities to which these transactions relate.

To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currencies are monitored into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 30 June 2009, 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 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 Rule 5.46 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

	Number of shares					
Name of director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total	Percentage of interests
Lily Wu	1,000,000	–	–	–	1,000,000	0.22
Chang Wei Wen	800,000	–	–	–	800,000	0.17
Leung Quan Yue, Michelle	500,000	–	–	–	500,000	0.11

(ii) Rights to subscribe for shares of the Company

Director	Date of grant	Outstanding at 30 June 2009	Exercise price per share *HK$*	Exercisable period
Lily Wu	17 November 2008	1,000,000	0.93	17 November 2008 to 16 November 2018
Chang Wei Wen	17 November 2008	800,000	0.93	17 November 2008 to 16 November 2018
Leung Quan Yue, Michelle	17 November 2008	500,000	0.93	17 November 2008 to 16 November 2018

Save as disclosed above, as at 30 June 2009, 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 Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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:

Long positions in the shares of the Company

Name of shareholders	*Notes*	Number of shares held	Percentage of interests
Best Heaven Limited	*1*	83,300,000	18.14
Mr. Chu Chen Lin	*1*	83,300,000	18.14
Golden Dice Co., Ltd.	*2*	81,400,000	17.73
Mr. Tsai Chi Yuan	*2*	81,400,000	17.73
Mr. Wang Tienan		31,115,000	6.78

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. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd.

Save as disclosed above, as at 30 June 2009, 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the six months ended 30 June 2009, the Group has compiled with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the code provision A 2.1 stipulated in the following paragraphs.

The Code provision A 2.1 stipulates that 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 Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu ("Ms. Wu") serves as the Chairman of the Board since 1 April 2006. Mr. Anton Ho, the former Chief Executive Officer, resigned from the post with effect from 1 January 2009 and the position was left vacant since his resignation. After due and careful consideration by the Board, Ms. Wu was further appointed as the Chief Executive Officer on 23 March 2009. The reason for not splitting the roles of chairman and chief executive officer are as follows:

- The size of the Group is still relatively small and thus not justified to separate the roles of chairman and chief executive officer; and

- The Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

Thus, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

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 compiled with the required standard set out in such code of conduct throughout the six months ended 30 June 2009.

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. Chan Siu Wing, Raymond. The chairman of the audit committee is Ms. Wong Ka Wai, Jeanne.

COMPETING INTERESTS

As at 30 June 2009, 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 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 11 August 2009