PHOENITRON HOLDINGS LIMITED
品 創 控 股 有 限 公 司

(formerly known as 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 2010

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 Phoenitron Holdings 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

SUMMARY

- The Group recorded an unaudited revenue of about HK$71,359,000 for the six months ended 30 June 2010, representing an increase of 8.0% as compared with that of the corresponding period in 2009.

- The unaudited profit attributable to the owners of the Company for the six months ended 30 June 2010 was about HK$708,000.

- For the three months and the six months ended 30 June 2010, the basic earnings per share were about HK$0.0009 and about HK$0.0014 respectively.

- The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2010.

UNAUDITED INTERIM RESULTS

The board (the "Board") of Directors announces the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months and the six months ended 30 June 2010 together with the comparative figures for the corresponding periods in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 30 June		Six months ended 30 June	
		2010	2009	**2010**	2009
	Notes	***HK$***	*HK$*	***HK$***	*HK$*
Revenue	*2*	**36,973,397**	33,024,103	**71,359,483**	66,060,293
Cost of sales		**(28,525,645)**	(21,899,827)	**(54,027,901)**	(43,559,761)
Gross profit		**8,447,752**	11,124,276	**17,331,582**	22,500,532
Other revenue		**79,628**	70,287	**133,771**	80,665
Selling and distribution costs		**(1,366,489)**	(1,452,208)	**(2,763,043)**	(2,978,374)
Administrative expenses		**(5,109,513)**	(5,837,592)	**(10,738,605)**	(12,020,843)
Finance costs	*3*	**(146,853)**	(92,713)	**(234,190)**	(205,319)
Share of results of a jointly controlled entity		**(802,877)**	–	**(1,555,549)**	–
Profit before income tax	*4*	**1,101,648**	3,812,050	**2,173,966**	7,376,661
Income tax expense	*5*	**(658,426)**	(2,315,726)	**(1,466,176)**	(3,259,705)
Profit for the period		**443,222**	1,496,324	**707,790**	4,116,956
Other comprehensive income					
Exchange gain on translation of financial statements of foreign operations		**462,985**	343,752	**662,744**	1,293,830
Other comprehensive income for the period		**462,985**	343,752	**662,744**	1,293,830
Total comprehensive income for the period		**906,207**	1,840,076	**1,370,534**	5,410,786
Earnings per share for profit attributable to the owners of the Company during the period	*7*				
– Basic		**0.09 cents**	0.33 cents	**0.14 cents**	0.90 cents
– Diluted		**0.08 cents**	0.33 cents	**0.14 cents**	n/a

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2010** *HK$*	Audited 31 December 2009 *HK$*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**30,703,433**	35,637,560
Interest in an associate	*8*	**1,135,136**	1,135,136
Interest in a jointly controlled entity	*9*	**75,074,253**	76,629,802
Available-for-sale financial assets		**2,158,058**	2,158,058
		109,070,880	115,560,556
Current assets			
Inventories	*10*	**7,447,211**	6,829,843
Trade and other receivables	*11*	**50,185,810**	41,483,512
Pledged bank deposits	*12*	**927,019**	926,972
Cash and cash equivalents		**42,443,924**	32,949,818
		101,003,964	82,190,145
Current liabilities			
Trade and other payables	*13*	**21,402,021**	26,217,755
Borrowings		**16,437,990**	5,521,649
Current tax liabilities		**112,876**	1,319,812
		37,952,887	33,059,216
Net current assets		**63,051,077**	49,130,929
Total assets less current liabilities		**172,121,957**	164,691,485
Non-current liabilities			
Borrowings		**8,968,983**	2,295,545
Deferred tax liabilities		**4,707**	4,707
		8,973,690	2,300,252
Net assets		**163,148,267**	162,391,233
EQUITY			
Share capital		**49,530,000**	48,910,000
Reserves		**113,618,267**	113,481,233
Total equity		**163,148,267**	162,391,233

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$*	Contributed surplus *HK$*	Share option reserve *HK$*	Other reserves *HK$*	Exchange difference *HK$*	Available-for sale financial assets revaluation reserve *HK$*	Warrant reserve *HK$*	Accumulated profits *HK$*	Total *HK$*
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
2008 final dividend paid during the period	–	(6,871,500)	–	–	–	–	–	–	(6,871,500)
Issue of new shares upon exercise of share options	100,000	830,000	–	–	–	–	–	–	930,000
Transactions with owners	45,910,000	45,569,989	2,448,014	7	4,994,418	(5,915,760)	–	14,508,410	107,515,078
Profit for the period	–	–	–	–	–	–	–	4,116,956	4,116,956
Other comprehensive income – Currency translation	–	–	–	–	1,293,830	–	–	–	1,293,830
Total comprehensive income for the period	–	–	–	–	1,293,830	–	–	4,116,956	5,410,786
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**
At 1 January 2010	48,910,000	77,937,474	2,448,014	7	6,843,435	–	1,445,500	24,806,803	162,391,233
2009 final dividend paid during the period	–	(7,354,500)	–	–	–	–	–	–	(7,354,500)
Issue of new shares upon exercise of warrants	500,000	5,125,000	–	–	–	–	–	–	5,625,000
Issue of new shares upon exercise of share options	120,000	996,000	–	–	–	–	–	–	1,116,000
Transactions with owners	49,530,000	76,703,974	2,448,014	7	6,843,435	–	1,445,500	24,806,803	161,777,733
Profit for the period	–	–	–	–	–	–	–	707,790	707,790
Other comprehensive income – Currency translation	–	–	–	–	662,744	–	–	–	662,744
Total comprehensive income for the period	–	–	–	–	662,744	–	–	707,790	1,370,534
At 30 June 2010	**49,530,000**	**76,703,974**	**2,448,014**	**7**	**7,506,179**	**–**	**1,445,500**	**25,514,593**	**163,148,267**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2010	2009
	HK$	*HK$*
Net cash generated from (used in) operating activities	**(5,845,974)**	11,194,383
Net cash used in investing activities	**(1,674,105)**	(2,511,400)
Net cash generated from (used in) financing activities	**16,893,419**	(13,793,119)
Net increase (decrease) in cash and cash equivalents	**9,373,340**	(5,110,136)
Cash and cash equivalents brought forward	**32,949,818**	42,698,969
Effect of foreign exchange rate changes	**120,766**	303,493
Cash and cash equivalents carried forward	**42,443,924**	37,892,326

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 ("HKICPA"). 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 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) as disclosed below.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, of the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on or after 1 January 2010.

HKFRS 3	Business Combinations
HKAS 27	Consolidated and Separate Financial Statements
Various	Annual improvements to HKFRSs 2009

Other than as noted below, the adoption of these new and revised HKFRSs has had no material effect on this interim financial report.

HKFRS 3 Business combinations (Revised 2008)

The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1st July 2009, but does not have significant impact on the Group's financial statements.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Group did not have transactions with non-controlling interests in the current period. Therefore, this standard does not have a material effect on the Group's financial statements.

Annual improvements 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1st January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group has reassessed the classification of its unexpired leases of land at 1st January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment does not have major impact on the Group's results and financial position in the first year of application.

The Group's unaudited results for the three months and the six months ended 30 June 2010 have been reviewed by the audit committee.

2. SEGMENT INFORMATION AND REVENUE

The Group focuses on the sales of smart cards and plastic cards and smart card application systems. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and assessment performance is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no analysis is performed.

Revenue from the Group's principal activities recognised during the period is as follows:

	Unaudited Three months ended 30 June		**Unaudited Six months ended 30 June**	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
Sales of smart cards and plastic cards	**36,964,647**	33,016,853	**71,323,083**	66,049,543
Sales of smart card application systems	**8,750**	7,250	**35,550**	10,750
Service and other income	**–**	–	**850**	–
	36,973,397	33,024,103	**71,359,483**	66,060,293

3. FINANCE COSTS

	Unaudited Three months ended 30 June		**Unaudited Six months ended 30 June**	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
Interest on bank loans wholly repayable within five years	**109,203**	25,166	**151,332**	62,889
Finance charges on obligations under finance leases	**37,650**	67,547	**82,858**	142,430
	146,853	92,713	**234,190**	205,319

4. PROFIT BEFORE INCOME TAX

	Unaudited Three months ended 30 June		**Unaudited Six months ended 30 June**	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
Profit before income tax is arrived at after charging:				
Cost of inventories	**28,525,645**	21,899,827	**54,027,901**	43,559,761
Staff costs	**7,259,284**	6,340,624	**13,819,505**	12,316,915
Depreciation	**3,405,243**	3,404,847	**6,797,328**	6,692,623
Research and development costs	**44,254**	11,210	**66,554**	24,310
Operating lease charges on land and buildings	**1,019,962**	932,012	**2,039,109**	1,874,862

5. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the periods. Taxation for subsidiaries incorporated in the People's Republic of China ("PRC") is calculated on the estimated assessable profit for the periods at the rates of taxation prevailing 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 Tecsun Venus Technology Limited is subject to EIT rate of 25%.

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**	
	2010	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*
Current tax				
– Hong Kong Profits Tax				
Current year	**120,000**	384,000	**177,000**	1,050,000
	120,000	384,000	**177,000**	1,050,000
– PRC Enterprise Income Tax				
Current year	**721,885**	922,131	**1,381,296**	1,313,298
Underprovision in prior year	**–**	1,238,153	**–**	1,238,153
	721,885	2,160,284	**1,381,296**	2,551,451
Deferred tax				
Current year	**(183,459)**	(228,558)	**(92,120)**	(341,746)
Total tax charge for the period	**658,426**	2,315,726	**1,466,176**	3,259,705

6. DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2010 (2009: NIL).

The final dividend of HK$0.015 (2008: HK$0.015) per share for the year ended 31 December 2009 had been approved and was paid before 17 May 2010.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the three months and the six months ended 30 June 2010 is based on the unaudited profit attributable to owners of the Company for the three months and the six months ended 30 June 2010 of HK$443,222 and HK$707,790 (three months and six months ended 30 June 2009: HK$1,496,324 and HK$4,116,956 respectively) and the weighted average of 491,489,011 and 490,301,105 (three months and six months ended 30 June 2009: 458,319,780 and 458,210,497 respectively) ordinary shares respectively in issue during the periods.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three months and the six months ended 30 June 2010 is based on the unaudited profit attributable to owners of the Company for the three months and the six months ended 30 June 2010 of HK$443,222 and HK$707,790 respectively and the weighted average of 528,227,268 and 521,672,738 ordinary shares in issue during the periods respectively.

The calculation of diluted earnings per share for the three months ended 30 June 2009 is based on the unaudited profit attributable to owners 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, Diluted earnings per share for the six months ended 30 June 2009 had not been presented as the exercise price of the share options granted by the Company was higher than the average market price of the Company's shares during the period.

8. INTEREST IN AN ASSOCIATE

	Unaudited 30 June 2010 *HK$*	Audited 31 December 2009 *HK$*
Share of net assets	**1,135,136**	1,135,136

Details of the Group's associate 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 2010 *HK$*	31 December 2009 *HK$*
Assets	**6,107,723**	6,392,924
Liabilities	**(943,864)**	(616,510)
Revenues	**1,056,818**	3,629,187
Gain/(Loss)	**(672,576)**	861,576

The Group has not incurred any contingent liabilities or other commitments relating to its investment in an associate.

9. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Unaudited 30 June 2010 *HK$*	Audited 31 December 2009 *HK$*
Share of net liabilities	**(2,717,430)**	(1,161,881)
Goodwill	**77,791,683**	77,791,683
	75,074,253	76,629,802

Details of the Group's interest in a jointly controlled entity which is an unlisted corporate entity, is as follows:

Name of joint venture	**Form of business structure**	**Country/place of incorporation and operation**	**% of effective equity interest/ voting right held indirectly**	**Principal activities**
Hota (USA) Holding Corp.	Incorporated	United States of America/PRC	62.22%	Resources recycling

The Group has not incurred any contingent liabilities or other commitment relating to its jointly controlled entity.

10. INVENTORIES

	Unaudited 30 June 2010 *HK$*	Audited 31 December 2009 *HK$*
Raw materials	**2,783,951**	2,878,171
Work-in-progress	**2,366,882**	1,711,626
Finished goods	**2,296,378**	2,240,046
	7,447,211	6,829,843

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2010 *HK$*	Audited 31 December 2009 *HK$*
Trade receivables		
From third parties	**38,364,785**	35,896,851
Other receivables		
Deposits, prepayment and other debtors	**11,821,025**	5,586,661
	50,185,810	41,483,512

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 2010 *HK$*	Audited 31 December 2009 *HK$*
0 – 30 days	**13,361,664**	13,304,669
31 – 90 days	**20,655,732**	20,375,613
Over 90 days	**4,347,389**	2,216,569
	38,364,785	35,896,851

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

	Unaudited 30 June 2010 *HK$*	Audited 31 December 2009 *HK$*
Neither past due nor impaired	**24,495,645**	23,976,580
1 – 30 days past due	**7,492,317**	7,825,085
31 – 90 days past due	**5,172,449**	2,505,379
Over 90 days past due	**1,204,374**	1,589,807
	38,364,785	35,896,851

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

Pledged time deposits have a maturity within one year. They have been pledged to secure bank borrowings.

13. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2010 ***HK$***	Audited 31 December 2009 *HK$*
Trade payables		
To third parties	**16,180,859**	20,511,904
Other payables		
Accrued charges and other creditors	**5,221,162**	5,705,851
	21,402,021	26,217,755

The Group was granted by its suppliers credit periods ranging from 30 – 90 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	Unaudited 30 June 2010 ***HK$***	Audited 31 December 2009 *HK$*
0 – 30 days	**7,722,585**	6,025,760
31 – 60 days	**5,983,775**	6,288,049
61 – 90 days	**1,355,557**	4,767,120
Over 90 days	**1,118,942**	3,430,975
	16,180,859	20,511,904

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, and the provision of customised smart card application systems. Through its 62.2% owned jointly controlled entity, the Group is also one of the largest licensed scrap auto importer and recyclers in China.

The Group faced a difficult business environment in the first half of 2010. Market competition was fierce and the Group faced both tremendous sales and pricing pressures. For the six months ended 30 June 2010, the Group recorded revenue of HK$71.4 million, representing an increase of 8.0% as compared to the revenue in the corresponding period in 2009 of HK$66.1 million. The increase in revenue was, however, achieved through offering a number of price-cuts to customers in exchange for greater sales volume. During the period under review, the cost of sales rose by 24.0%, up from HK$43.6 million in the corresponding period in 2009, to HK$54.0 million. This was due primarily to the increase in various direct costs, such as material costs, labor costs and overhead expenses needed to meet the increased volume orders. For the six months ended 30 June 2010, gross profit dropped to HK$17.3 million, down by HK$5.2million, or 23.0%, as compared to HK$22.5 million for the corresponding period in 2009. The decrease in gross profit was due partly to the increase in direct costs to meet a larger but price-cut sales volume, and was also partly due to a less favorable sales mix as compared to the corresponding period in 2009. Due to the aforesaid, gross profit margin for the six months ended 30 June 2010 dropped to 24.3%, as compared to 34.1% for the corresponding period in 2009.

To help off-set the negative impact of the market environment, the Group will continue to streamline its production and operations, including optimising internal resources, enhancing its cash management program, and negotiating with suppliers for better terms. Operating expenses will also be scrutinized to improve efficiency.

During the period under review, selling and distribution costs decreased by 7.2% over last year to HK$2.8 million (six months ended 30 June 2009: HK$3.0 million). The decrease was mainly due to the reduction in commission paid after restructuring of the sales team, but which was partly offset by the increase in freight charges and other relating expenses for increased sales.

During the period under review, administrative expenses also declined by HK$1.3 million, or 10.7%, from HK$12.0 million in the corresponding period in 2009, to HK$10.7 million. The decrease was attributable to the decreases in various expenses such as legal and professional fees, exchange loss and office salary due to restructuring of the management team.

In a lower interest rate environment, the Group has decided to increase its bank borrowings. During the period under review, the Group's finance costs increased by only 14.1% during the period to HK$0.23 million (six months ended 30 June 2009: HK$0.21 million) despite a three times higher loan balance.

During the period under review, the Group's share of losses of Hota (USA) and its subsidiaries amounted to HK$1.6 million. Hota's loss in first half of 2010 is comprised of start-up operating expenses, as Hota is still in its initial plant construction phase. Hota should start manufacturing operations with initial revenue contributions sometime in the second half of 2010. The Board believes that the investment in Hota should provide the Group with direct exposure to the promising business opportunity presented by the recycling of metals and materials from scrapped automobiles and the sale of recovered metals and parts. Hota's business is not only a good potential growth and profit driver for the Group, it is also an environmentally significant operation to conserve the earth's metals resources, reduce the amount of auto waste disposed globally, and increase the amount of energy efficient recycled steel production in China.

For the six months ended 30 June 2010, income tax expense of the Group was HK$1.5 million, representing a drop of 55.0% as compared with the corresponding period in 2009 of HK$3.3 million. The drop in income tax expense was due mainly to the decrease in estimated assessable profits for a subsidiary in Hong Kong, but partly offset by the increase in tax rate for a subsidiary of the Company in Shenzhen and increase in estimated taxable profits for the subsidiaries of the Company in the PRC.

As a result of the foregoing, profit attributable to the owners of the Company in the first half of 2010 amounted to HK$0.7 million, representing a drop of 82.8% as compared to the corresponding period in 2009 of HK$4.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2010, the Group financed its business operations and investments with cash revenue generated from operating activities, bank loans, finance lease arrangements and net proceeds from issuing new shares upon exercises of share options and warrants. As at 30 June 2010, the Group had cash and bank balances of HK$43.4 million, finance lease payable of HK$7.2 million and secured bank loans of HK$18.2 million.

As at 30 June 2010, the Group had current assets of HK$101.0 million and current liabilities of HK$38.0 million. The current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 2.7.

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total bank borrowings to total assets of the Group, was 12.1% as at 30 June 2010 (31 December 2009: 4.0%). Accordingly, the financial position of the Group has remained very liquid.

EMPLOYEE INFORMATION

As at 30 June 2010, the Group employed a total of 625 employees, of which 14 were located in Hong Kong and the rest were located in the PRC. Employee cost, including directors' remuneration, was HK$13.8 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 2010.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2010.

CHARGES ON GROUP ASSETS AND CONTINGENT LIABILITIES

At 30 June 2010, a bank deposit and certain plant and machinery with the carrying amounts of HK$927,019 and HK$7,702,232 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$64,206,776 (31 December 2009: HK$36,837,280) of which HK$25,406,973 (31 December 2009: HK$7,817,194) was outstanding as at 30 June 2010.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2010, there were no future plans for material investments or capital assets.

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 2010, 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:

Long positions in the shares of the Company

Name of director	Type of Interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Aggregate long positions in shares of the Company	Percentage of shareholding
Lily Wu	Personal Interest	–	1,000,000 *(Note 1)*	1,000,000	0.20
Chang Wei Wen	Personal Interest	800,000	–	800,000	0.16
Leung Quan Yue, Michelle	Personal Interest	–	500,000 *(Note 2)*	500,000	0.10

Notes:

1. As at 30 June 2010, the named director held 1,000,000 share options conferring rights to subscribe for 1,000,000 shares.

2. As at 30 June 2010, the named director held 500,000 share options conferring rights to subscribe for 500,000 shares.

Save as disclosed above, as at 30 June 2010, 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 2010, 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*	82,925,000	16.74
Mr. Chu Chen Lin	*1*	82,925,000	16.74
Golden Dice Co., Ltd.	*2*	82,400,000	16.64
Mr. Tsai Chi Yuan	*2*	82,400,000	16.64

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 2010, 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 2010, 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 2010.

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 2010, 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 2010, 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, 6 August 2010