



PHOENITRON

PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”).

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock 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.

Given the companies listed on GEM are generally small and mid-sized companies, 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 “Director(s)”) of Phoenix 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 approximately HK\$37,193,000 for the six months ended 30 June 2021, representing a decrease of 1.1% as compared with that of the corresponding period in 2020.
- The unaudited profit attributable to the owners of the Company for the six months ended 30 June 2021 was approximately HK\$688,000.
- The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2021.

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) 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 2021 together with the comparative figures for the corresponding periods in 2020 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
Revenue	3	19,740,344	29,256,121	37,193,004	37,591,322
Cost of sales		(14,397,245)	(17,762,470)	(27,266,327)	(24,541,216)
Gross profit		5,343,099	11,493,651	9,926,677	13,050,106
Other income	4	223,592	573,985	226,070	594,003
Other gains/(losses), net	5	89,495	(2,922)	(687,280)	(137,622)
Selling and distribution costs		(734,533)	(980,180)	(1,465,291)	(1,546,369)
Administrative expenses		(5,245,260)	(4,851,031)	(10,852,516)	(9,722,799)
Change in fair value of investment in TV programmes		3,739,445	–	3,739,445	–
Finance costs	6	(101,053)	(99,256)	(198,996)	(206,565)
Profit before income tax	7	3,314,785	6,134,247	688,109	2,030,754
Income tax credit	8	–	–	–	20,000
Profit for the period		<u>3,314,785</u>	<u>6,134,247</u>	<u>688,109</u>	<u>2,050,754</u>
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements of foreign operations		79,366	28,365	709,125	114,165
Other comprehensive income for the period		<u>79,366</u>	<u>28,365</u>	<u>709,125</u>	<u>114,165</u>
Total comprehensive income for the period		<u><u>3,394,151</u></u>	<u><u>6,162,612</u></u>	<u><u>1,397,234</u></u>	<u><u>2,164,919</u></u>

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021	2020	2021	2020
<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Profit/(Loss) for the period attributable to:				
Owners of the Company	3,314,910	6,134,372	688,234	2,050,879
Non-controlling interests	<u>(125)</u>	<u>(125)</u>	<u>(125)</u>	<u>(125)</u>
	<u>3,314,785</u>	<u>6,134,247</u>	<u>688,109</u>	<u>2,050,754</u>
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Company	3,394,276	6,162,737	1,397,359	2,165,044
Non-controlling interests	<u>(125)</u>	<u>(125)</u>	<u>(125)</u>	<u>(125)</u>
	<u>3,394,151</u>	<u>6,162,612</u>	<u>1,397,234</u>	<u>2,164,919</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company				
Basic and diluted	0.631	1.168	0.131	0.390

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		Unaudited 30 June 2021 <i>HK\$</i>	Audited 31 December 2020 <i>HK\$</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	6,041,699	7,054,871
Intangible assets		420,000	420,000
Right-of-use assets		8,420,753	9,120,384
Prepayments for acquisition of property, plant and equipment		1,289,505	1,017,221
Investment in TV programmes	12	36,188,179	31,947,743
Long-term financial assets investments		–	–
		52,360,136	49,560,219
Current assets			
Inventories	13	1,969,580	1,961,774
Trade and other receivables, prepayments and deposits	14	30,189,652	33,045,573
Tax recoverable		574,887	574,887
Cash and cash equivalents		8,299,522	8,819,535
		41,033,641	44,401,769
Current liabilities			
Trade and other payables	15	31,811,556	32,799,023
Lease liabilities		3,260,731	2,968,248
Other borrowings		–	276,243
		35,072,287	36,043,514
Net current assets		5,961,354	8,358,255
Total assets less current liabilities		58,321,490	57,918,474

		Unaudited	Audited
		30 June	31 December
		2021	2020
	<i>Notes</i>	HK\$	HK\$
Non-current liabilities			
Lease liabilities		6,524,570	7,518,788
Deferred tax liabilities		4,707	4,707
		<u>6,529,277</u>	<u>7,523,495</u>
Net assets		<u><u>51,792,213</u></u>	<u><u>50,394,979</u></u>
EQUITY			
Share capital	<i>16</i>	105,069,500	105,069,500
Reserves		(53,508,007)	(54,905,366)
		<u>51,561,493</u>	<u>50,164,134</u>
Equity attributable to the owners of the Company		230,720	230,845
Non-controlling interests		<u>51,792,213</u>	<u>50,394,979</u>
Total equity		<u><u>51,792,213</u></u>	<u><u>50,394,979</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company									Total equity <i>HK\$</i>
	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Share option reserve <i>HK\$</i>	Other reserves <i>HK\$</i>	Translation reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>	Non- controlling interests <i>HK\$</i>	
Balance at 1 January 2020 (audited)	105,069,500	363,340,792	13,985,669	3,339,000	7	10,022,834	(450,277,733)	45,480,069	231,023	45,711,092
Profit/(Loss) for the period	-	-	-	-	-	-	2,050,879	2,050,879	(125)	2,050,754
Other comprehensive income										
– Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	114,165	-	114,165	-	114,165
Total comprehensive income/(loss) for the period	-	-	-	-	-	114,165	2,050,879	2,165,044	(125)	2,164,919
Balance at 30 June 2020 (unaudited)	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>10,136,999</u>	<u>(448,226,854)</u>	<u>47,645,113</u>	<u>230,898</u>	<u>47,876,011</u>
Balance at 1 January 2021 (audited)	105,069,500	363,340,792	13,985,669	3,339,000	7	10,751,190	(446,322,024)	50,164,134	230,845	50,394,979
Profit for the period	-	-	-	-	-	-	688,234	688,234	(125)	688,109
Other comprehensive income										
– Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	709,125	-	709,125	-	709,125
Total comprehensive income/ (loss) for the period	-	-	-	-	-	709,125	688,234	1,397,359	(125)	1,397,234
Balance at 30 June 2021 (unaudited)	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>11,460,315</u>	<u>(445,633,790)</u>	<u>51,561,493</u>	<u>230,720</u>	<u>51,792,213</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Net cash generated from/(used in) operating activities	744,653	(2,794,234)
Net cash generated from/(used in) investing activities	739,061	(2,252,063)
Net cash used in financing activities	<u>(2,099,194)</u>	<u>(2,635,649)</u>
Net decrease in cash and cash equivalents	(615,480)	(7,681,946)
Cash and cash equivalents at beginning of the period	8,819,535	10,270,969
Effect of foreign exchange rate changes	<u>95,467</u>	<u>89,364</u>
Cash and cash equivalents at end of the period	<u>8,299,522</u>	<u>2,678,387</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial information also includes the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2020.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2021, the accounting policies applied are consistent with those of the audited annual financial statements of the Group for the year ended 31 December 2020, as described in those audited annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated financial information of the Group.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

The preparation of unaudited condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements of the Group for the year ended 31 December 2020.

2. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the executive Directors for the purposes of resources allocation and assessment of segment performance. The business components in the internal reporting to the executive Directors, the chief operating decision-makers, are determined following the Group’s major product and service lines. The Group is currently organized into the following five operating segments:

- (i) Sales of smart cards;
- (ii) Sales of smart cards application systems;
- (iii) Financial and management consultancy services;
- (iv) Sales and trading of scrap metals; and
- (v) Media and entertainment.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit before income tax is the same as those used in preparing these consolidated financial statements under HKFRSs except that finance costs, exchange losses (net) and corporate expenses (net) not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of intangible assets, tax recoverable, assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as cash and cash equivalents.

Segment liabilities include all liabilities except for deferred tax liabilities, liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as other borrowings.

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, profit before income tax, total assets and total liabilities are as follows:

Six months ended 30 June 2021

	Sales of smart cards <i>HK\$</i> (Unaudited)	Sales of smart card application systems <i>HK\$</i> (Unaudited)	Financial and management consultancy services <i>HK\$</i> (Unaudited)	Sales and trading of scrap metals <i>HK\$</i> (Unaudited)	Media and entertainment <i>HK\$</i> (Unaudited)	Unallocated <i>HK\$</i> (Unaudited)	Consolidated <i>HK\$</i> (Unaudited)
Reportable segment revenue	<u>37,178,444</u>	<u>14,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,193,004</u>
Reportable segment profit/(loss)	<u>2,029,894</u>	<u>(4,838)</u>	<u>(31,056)</u>	<u>(1,547,580)</u>	<u>3,738,895</u>	<u>-</u>	<u>4,185,315</u>
Finance costs							(198,996)
Exchange losses, net							(687,280)
Corporate expenses, net							<u>(2,610,930)</u>
Profit before income tax							<u>688,109</u>

Six months ended 30 June 2020

	Sales of smart cards <i>HK\$</i> (Unaudited)	Sales of smart card application systems <i>HK\$</i> (Unaudited)	Financial and management consultancy services <i>HK\$</i> (Unaudited)	Sales and trading of scrap metals <i>HK\$</i> (Unaudited)	Media and entertainment <i>HK\$</i> (Unaudited)	Unallocated <i>HK\$</i> (Unaudited)	Consolidated <i>HK\$</i> (Unaudited)
Reportable segment revenue	<u>37,590,722</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,591,322</u>
Reportable segment profit/(loss)	<u>6,695,439</u>	<u>(2,043)</u>	<u>(62,372)</u>	<u>(1,620,478)</u>	<u>(550)</u>	<u>-</u>	<u>5,009,996</u>
Finance costs							(206,565)
Exchange losses, net							(137,622)
Corporate expenses, net							<u>(2,635,055)</u>
Profit before income tax							<u>2,030,754</u>

30 June 2021

	Sales of smart cards <i>HK\$</i> (Unaudited)	Sales of smart card application systems <i>HK\$</i> (Unaudited)	Financial and management consultancy services <i>HK\$</i> (Unaudited)	Sales and trading of scrap metals <i>HK\$</i> (Unaudited)	Media and entertainment <i>HK\$</i> (Unaudited)	Unallocated <i>HK\$</i> (Unaudited)	Consolidated <i>HK\$</i> (Unaudited)
Reportable segment assets	<u>38,042,549</u>	<u>14,560</u>	<u>-</u>	<u>261,805</u>	<u>42,258,179</u>	<u>3,522,275</u>	<u>84,099,368</u>
Intangible assets							420,000
Tax recoverable							574,887
Cash and cash equivalents							<u>8,299,522</u>
Total consolidated assets							<u>93,393,777</u>
Reportable segment liabilities	<u>37,110,781</u>	<u>27,600</u>	<u>-</u>	<u>270,701</u>	<u>-</u>	<u>4,187,775</u>	<u>41,596,857</u>
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>41,601,564</u>

31 December 2020

	Sales of smart cards <i>HK\$</i> (Audited)	Sales of application systems <i>HK\$</i> (Audited)	Financial and management consultancy services <i>HK\$</i> (Audited)	Sales and trading of scrap metals <i>HK\$</i> (Audited)	Media and entertainment <i>HK\$</i> (Audited)	Unallocated <i>HK\$</i> (Audited)	Consolidated <i>HK\$</i> (Audited)
Reportable segment assets	<u>39,286,967</u>	<u>3,000</u>	<u>-</u>	<u>3,205,113</u>	<u>38,017,743</u>	<u>3,634,743</u>	84,147,566
Intangible assets							420,000
Tax recoverable							574,887
Cash and cash equivalents							<u>8,819,535</u>
Total consolidated assets							<u>93,961,988</u>
Reportable segment liabilities	<u>38,701,894</u>	<u>12,000</u>	<u>-</u>	<u>230,573</u>	<u>-</u>	<u>4,341,592</u>	43,286,059
Other borrowings							276,243
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>43,567,009</u>

There has been no inter-segment sale between different business segments during the period or in prior period.

3. REVENUE

The Group's revenue for goods transferred at a point in time from external customers is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021 <i>HK\$</i>	2020 <i>HK\$</i>	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Sales of smart cards	19,740,344	29,256,121	37,178,444	37,590,722
Sales of smart card application systems	<u>-</u>	<u>-</u>	14,560	600
	<u>19,740,344</u>	<u>29,256,121</u>	<u>37,193,004</u>	<u>37,591,322</u>

4. OTHER INCOME

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Bank interest income	1,186	1,695	3,664	3,458
Sundry income	222,406	572,290	222,406	590,545
	<u>223,592</u>	<u>573,985</u>	<u>226,070</u>	<u>594,003</u>

5. OTHER GAINS/(LOSSES), NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Exchange gains/(losses), net	89,495	(2,922)	(687,280)	(137,622)
	<u>89,495</u>	<u>(2,922)</u>	<u>(687,280)</u>	<u>(137,622)</u>

6. FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Finance charges on lease liabilities	101,053	99,256	198,996	206,565
	<u>101,053</u>	<u>99,256</u>	<u>198,996</u>	<u>206,565</u>

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Cost of inventories recognised as expenses	14,397,245	17,762,470	27,266,327	24,541,216
Short term leases and leases with lease term shorter than 12 months	205,122	250,903	450,510	485,669
Depreciation				
– Property, plant and equipment	695,806	611,348	1,425,599	1,179,724
– Right-of-use assets	795,176	730,114	1,601,292	1,466,205
	<u>14,397,245</u>	<u>17,762,470</u>	<u>27,266,327</u>	<u>24,541,216</u>

8. INCOME TAX CREDIT

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Current tax				
– Hong Kong Profits Tax				
Over-provision in prior year	–	–	–	(20,000)
Total income tax credit	<u>–</u>	<u>–</u>	<u>–</u>	<u>(20,000)</u>

Notes:

(a) Hong Kong

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and the profits above HK\$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No Hong Kong Profits Tax has been provided for the six months ended 30 June 2021 as the Group did not generate any estimated assessable profits in Hong Kong during the period (2020: nil).

(b) PRC

The PRC Enterprise Income Tax has been calculated at 25% (2020: 25%) on the estimated assessable profits for the six months ended 30 June 2021 based on the existing legislation, interpretations and practices in respect thereof. No PRC Enterprise Income Tax has been provided for the six months ended 30 June 2021 as the Group has sufficient tax losses brought forward to set off against assessable profits in the PRC during the period (2020: nil).

(c) Other jurisdictions

Pursuant to the rules and regulations of the Cayman Islands, the British Virgin Islands (the “BVI”) and Taiwan, the Group is not subject to any income tax in the Cayman Islands, the BVI and Taiwan (2020: nil).

9. DIVIDEND

The board does not recommend any payment of an interim dividend for the six months ended 30 June 2021 (2020: nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, calculated as follows:

	Unaudited		Unaudited	
	Three months ended 30 June	2020	Six months ended 30 June	2020
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Profit attributable to owners of the Company (HK\$)	3,314,910	6,134,372	688,234	2,050,879
Weighted average number of ordinary shares in issue	<u>525,347,500</u>	<u>525,347,500</u>	<u>525,347,500</u>	<u>525,347,500</u>
Basic earnings per share (expressed in HK cents per share)	<u>0.631</u>	<u>1.168</u>	<u>0.131</u>	<u>0.390</u>

(b) Diluted earnings per share

The exercise price of the share option is higher than the average market price per share for the three months and the six months ended 30 June 2021 and 2020, the exercise of the potential ordinary shares is not assumed in the computation of diluted earnings per share. Therefore, the diluted earnings per share attributable to owners of the Company for the three months and the six months ended 30 June 2021 and 2020 are the same as the basic earnings per share for the respective periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of HK\$303,547 (six months ended 30 June 2020: HK\$1,746,971).

12. INVESTMENT IN TV PROGRAMMES

	<i>HK\$</i>
As at 1 January 2020 (Audited)	26,850,000
Total gains included in profit or loss:	
Fair value change	3,247,844
Exchange difference arising from translation, included in other gains/(losses), net	<u>1,849,899</u>
As at 31 December 2020 and 1 January 2021 (Audited)	31,947,743
Total gains included in profit or loss:	
Fair value change	3,739,445
Exchange difference arising from translation, included in other gains/(losses), net	<u>500,991</u>
As at 30 June 2021 (Unaudited)	<u><u>36,188,179</u></u>

The Group's investment in TV programmes is measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the investment in TV programmes is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair value of the investment in TV programmes is level 3 (31 December 2020: level 3) fair value measurement. There were no transfers between Levels 1, 2 and 3 during the six months ended 30 June 2021 and the year ended 31 December 2020.

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments by adopting an income approach based on the discounted cash flow.

Fair value measurements using significant unobservable inputs (level 3)

The above movement presents the changes in level 3 item for the six months ended 30 June 2021 and the year ended 31 December 2020.

Significant unobservable inputs	Unobservable inputs	Relationship of unobservable inputs to fair value
Discount rate	19.91% (31 December 2020: 21.44%)	The higher/lower the discount rate, the lower/higher the fair value.
Estimated revenue generated by the TV programmes	RMB200,000,000 (31 December 2020: RMB200,000,000)	The higher/lower the estimated revenue generated by the TV programmes, the higher/lower the fair value.

Should the discount rate increase or decrease by 3% respectively, the fair value of the investment in TV programmes would be decreased by approximately HK\$732,831 (31 December 2020: HK\$1,145,469) or increased by approximately HK\$770,441 (31 December 2020: HK\$1,128,296), respectively. Should the estimated revenue generated by the TV programmes increase or decrease by 10% respectively, the fair value of the investment in TV programmes would be increased or decreased by approximately HK\$3,002,331 (31 December 2020: HK\$3,194,774).

13. INVENTORIES

	Unaudited 30 June 2021 HK\$	Audited 31 December 2020 HK\$
Raw materials	265,945	501,714
Work-in-progress	1,672,242	1,267,724
Finished goods	31,393	192,336
	<u>1,969,580</u>	<u>1,961,774</u>

14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited 30 June 2021 HK\$	Audited 31 December 2020 HK\$
Trade receivables, net (<i>note</i>)	16,354,615	17,273,855
Other receivables, prepayments and deposits, net	13,835,037	15,771,718
	<u>30,189,652</u>	<u>33,045,573</u>

Note:

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

	Unaudited 30 June 2021 HK\$	Audited 31 December 2020 HK\$
0 – 30 days	8,409,030	8,066,579
31 – 90 days	6,510,747	8,929,348
Over 90 days	1,464,028	307,118
Less: ECL allowance	(29,190)	(29,190)
	<u>16,354,615</u>	<u>17,273,855</u>

15. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2021 HK\$	Audited 31 December 2020 HK\$
Trade payables (<i>note</i>)	23,639,761	24,191,397
Other payables and accrual	8,171,795	8,607,626
	<u>31,811,556</u>	<u>32,799,023</u>

Note:

Credit period granted by suppliers normally range from 30 to 90 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	Unaudited 30 June 2021 HK\$	Audited 31 December 2020 HK\$
0 – 30 days	3,404,833	4,197,731
31 – 60 days	3,373,139	3,041,264
61 – 90 days	3,102,158	2,970,129
Over 90 days	13,759,631	13,982,273
	<u>23,639,761</u>	<u>24,191,397</u>

16. SHARE CAPITAL

	Unaudited 30 June 2021 HK\$	Audited 31 December 2020 <i>HK\$</i>
Authorized: 1,500,000,000 ordinary shares of HK\$0.20 each	<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid: 525,347,500 (31 December 2020: 525,347,500) ordinary shares of HK\$0.20 each	<u>105,069,500</u>	<u>105,069,500</u>

17. CAPITAL COMMITMENT

	Unaudited 30 June 2021 HK\$	Audited 31 December 2020 <i>HK\$</i>
Contracted but not provided for: – Acquisition of property, plant and equipment	<u>563,329</u>	<u>1,036,527</u>
	<u>563,329</u>	<u>1,036,527</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

Revenue

During the Reporting Period, the Group's financial result was principally derived from the contract manufacturing and sales of smart cards.

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK\$37.2 million, a slight decline of approximately HK\$0.4 million or 1.1% as compared to the corresponding period in 2020 of approximately HK\$37.6 million.

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, cost of sales incurred for the SIM card manufacturing business amounted to approximately HK\$27.3 million, an increase of approximately HK\$2.8 million or 11.4% as compared to the corresponding period in 2020 of approximately HK\$24.5 million. The reason for the increase in COS was due to a higher portion of revenue being derived from cardbody-related orders (meaning less higher-value-added-service orders) which caused the increases in material and labour costs year-on-year.

Due to a less favourable sales-mix year-on-year, gross profit of the Group during the Reporting Period recorded a decline of approximately HK\$3.2 million or 24.4%, from the corresponding period in 2020 of approximately HK\$13.1 million, to approximately HK\$9.9 million.

Other Income

Other income of approximately HK\$0.23 million was attributable to sundry income. (six months ended 30 June 2020: approximately HK\$0.59 million and was mainly comprised of the government subsidy of approximately HK\$0.37 million, a discount received from suppliers of approximately HK\$0.17 million and sundry income of approximately HK\$0.05 million).

Other gains/(losses), net

During the Reporting Period, other losses amounted to approximately HK\$0.69 million which was attributable to the exchange losses arising from foreign currency based transactions (six months ended 30 June 2020: HK\$0.14 million).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$1.47 million, representing a slight decrease of approximately HK\$0.08 million, or 5.2%, as compared to the corresponding period in 2020 of approximately HK\$1.55 million. The decrease was mainly due to the decrease in freight charges as a result of a slight decrease in revenue of SIM card segment year-on-year.

Administrative Expenses

Administrative expenses recorded an increase of approximately HK\$1.2 million, or 12.4% during the Reporting Period, from approximately HK\$9.7 million for the corresponding period in 2020, to approximately HK\$10.9 million. The increase was primarily attributable to the increase in various administrative expenses such as entertainment, staff costs and sundry expenses.

Change in Fair Value of Investment in TV programmes

During the Reporting Period, a fair value gain on investment in TV programmes of approximately HK\$3.74 million was recognised (six months ended 30 June 2020: nil) as a result of the production progress of the programming.

Finance Costs

During the Reporting Period, the Group's finance costs, representing the finance charges on lease liabilities, amounted to approximately HK\$0.20 million (six months ended 30 June 2020: approximately HK\$0.21 million).

Income Tax Credit

There was no income tax expense incurred during the Reporting Period (six months ended 30 June 2020: income tax credit of approximately HK\$0.02 million).

Non-controlling Interest

During the Reporting Period, a loss of HK\$125 attributable to the non-controlling interests was recognized (six months ended 30 June 2020: HK\$125).

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period amounted to approximately HK\$0.69 million (six months ended 30 June 2020: approximately HK\$2.05 million).

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities and other borrowings. As at 30 June 2021 the Group had cash and bank balances of approximately HK\$8.3 million (31 December 2020: approximately HK\$8.8 million) and other borrowings of nil (31 December 2020: approximately HK\$0.3 million).

As at 30 June 2021, the Group had current assets of approximately HK\$41.0 million (31 December 2020: approximately HK\$44.4 million) and current liabilities of approximately HK\$35.1 million (31 December 2020: approximately HK\$36.0 million). The current ratio, expressed as current assets over current liabilities, was maintained at a level of 1.2 (31 December 2020: 1.2).

EMPLOYEE INFORMATION

As at 30 June 2021, the Group's employed a total of 133 employees (31 December 2020: 144 employees), of which 13 were located in Hong Kong and 6 were located in Taiwan and the rest were located in the Shenzhen. Employee cost, including Directors' remuneration, was approximately HK\$12.4 million (six months ended 30 June 2020: approximately HK\$11.0 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

Save as disclosed under section headed "Operation and Financial Review" and "Notes to the Unaudited Interim Financial Statements" above, there were no other significant investments for the six months ended 30 June 2021.

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 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under section headed “Operation and Financial Review” and “Notes to the Unaudited Interim Financial Statements” above, there were no future plans for material investments or capital assets as at 30 June 2021.

CHARGE ON GROUP ASSETS

At 30 June 2021, there is no charge on assets of Group (31 December 2020: nil).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets of the Group, was 10.5% as at 30 June 2021 (31 December 2020: 11.5%).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the Reporting Period of the Group.

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”), Euro (“EUR”) and United States 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 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 2021, the interests or short positions of the Directors and chief executive 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which would be required pursuant to section 352 of the SFO or to be entered in the register as referred to therein, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Model Code, were as follows:

Name of director	Nature of interest	Long/short position	Number of shares of the Company	Number of underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
<i>Executive Director</i>					
Lily Wu (Note 1)	Beneficial owner	Long	100,000	4,500,000	0.88
Chang Wei Wen (Note 1)	Beneficial owner	Long	525,000	4,500,000	0.96
Yang Meng Hsiu (Note 1)	Beneficial owner	Long	4,300,000	4,500,000	1.68
<i>Independent Non-executive Director</i>					
Chan Siu Wing, Raymond (Note 2)	Beneficial owner	Long	–	450,000	0.09
Leung Ka Kui, Johnny (Note 2)	Beneficial owner	Long	–	450,000	0.09
Wong Ka Wai, Jeanne (Note 2)	Beneficial owner	Long	–	450,000	0.09

Notes:

1. These include 4,500,000 share options conferring rights to subscribe for 4,500,000 shares.
2. These include 450,000 share options conferring rights to subscribe for 450,000 shares.

Save as disclosed above, as at 30 June 2021, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, as far as is known to the Directors, the persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of interests
Golden Dice Co., Ltd. <i>(Note 1)</i>	Beneficial	Long	63,142,512	12.02
Best Heaven Limited <i>(Note 1)</i>	Beneficial	Long	31,586,500	6.01
Mr. Tsai Chi Yuan <i>(Note 1)</i>	Interests in controlled company	Long	94,729,012	18.03

Note:

1. 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. and Best Heaven Limited.

Save as disclosed above, as at 30 June 2021, the Directors and the chief executive of the Company were not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a new share option scheme (the “New Share Option Scheme”) was approved and adopted. The share options are fully vested at the date of grant. Summary of the share options outstanding during the six months ended 30 June 2021 are as follows:

Name of participant	At 1 January 2021	Granted during the period	At 30 June 2021	Date of grant	Exercisable period	Exercise price HK\$
<i>Executive Directors</i>						
Lily Wu (Note 1)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen (Note 1)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu (Note 1)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
<i>Independent non-executive Directors</i>						
Chan Siu Wing, Raymond (Note 1)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny (Note 1)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne (Note 1)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	14,850,000	–	14,850,000			
<i>Other employees</i>						
In aggregate (Note 1)	22,779,250	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	37,629,250	–	37,629,250			

Note:

- As at 30 June 2021, the remaining life was about 6.51 year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's financial statements, and to provide advice and comment thereon to the Board. 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.

The Group's unaudited results for the three months and the six months ended 30 June 2021 have been reviewed by the audit committee.

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 2021, the Group complied 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 A2.1 stipulated in the following paragraphs.

The Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO 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 CEO, 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 CEO on 23 March 2009. The reasons for not splitting the roles of chairman and CEO are as follows:

- The size of the Group is still relatively small and thus not justified in separating the roles of chairman and CEO; 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.

The Board considers that the current structure of vesting the roles of Chairman and CEO in the same person 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 of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 June 2021.

COMPETING INTERESTS

As at 30 June 2021, 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2021.

By order of the Board
Lily Wu
Chairman

Hong Kong, 11 August 2021