



Cardlink Technology Group Limited
鐳聯科技集團有限公司

(incorporated in the Cayman Islands with limited liability)



Annual Report 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This annual report, for which the directors of Cardlink Technology Group Limited 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 for the purpose of giving information with regard to Cardlink Technology Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Management Discussion and Analysis	6
Profiles of Directors and Senior Management	9
Report of Directors	11
Report of Auditors	20
Consolidated Income Statement	21
Consolidated Statement of Changes in Equity	22
Consolidated Balance Sheet	23
Balance Sheet	24
Consolidated Cash Flow Statement	25
Notes to the Financial Statements	26
Financial Summary	52

Contents

Corporate Information

DIRECTORS

Executive Directors

Wong Chi Ming (*Chairman*)
Fung Wing Mou, Bernard
Ho Lut Wa, Anton
Wong Hon Sing

Independent Non-Executive Directors

Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Wong Wai Kwong, David
(Appointed on 20 September 2004)

COMPLIANCE OFFICER

Wong Hon Sing

QUALIFIED ACCOUNTANT

Lau Ka Chung (*CPA*)

COMPANY SECRETARY

Lau Ka Chung (*CPA*)

AUTHORISED REPRESENTATIVES

Ho Lut Wa, Anton
Wong Hon Sing

AUDIT COMMITTEE

Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Wong Wai Kwong, David
(Appointed on 20 September 2004)

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 302, Seapower Centre
73 Lei Muk Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
G/F, BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
Nanyang Commercial Bank Limited

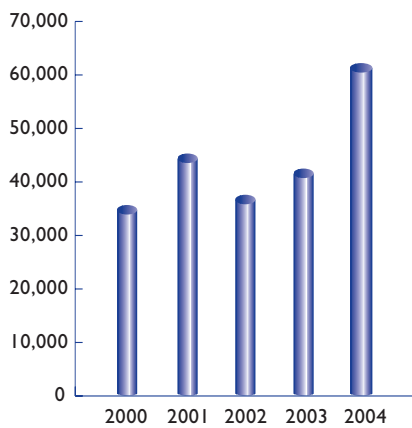
AUDITORS

Moores Rowland Mazars

Financial Highlights

TURNOVER

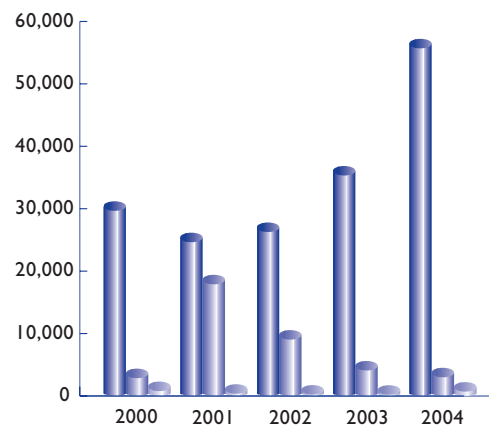
HK\$'000



Turnover

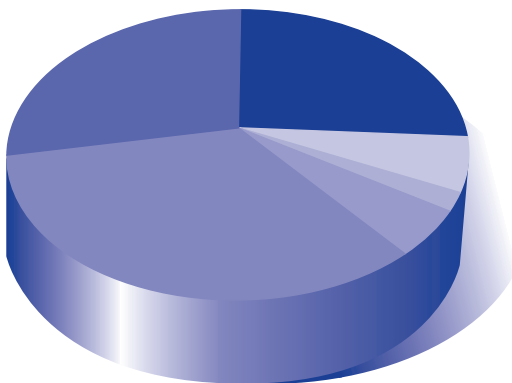
TURNOVER BY SEGMENTS

HK\$'000



Smart Cards & Plastic Cards Manufacturing
Smart Cards Application System
Others

Total Assets as at 31 December 2004



Property, plant and equipment	26%
Other financial assets	6%
Deferred tax assets	2%
Inventories	5%
Trade and other receivables	33%
Bank balances and cash	28%

Chairman's Statement

TO OUR SHAREHOLDERS

The year 2004 was an encouraging year for Cardlink Technology Group Limited ("Cardlink" or "Company") and its subsidiaries (together, the "Group") where we delivered strong revenue growth and made a substantial increase to our profitability. We also strengthened our position in the PRC and increased our business development activities in other Asia Pacific regions. All these achievements reflecting the right business focus of the Group on the manufacturing and sales of smart cards and the successful marketing strategies pursued by our management team.

RESULTS

For the year ended 31 December 2004, the Group recorded a consolidated turnover of approximately HK\$61 million (2003: HK\$41 million) and profit attributable to shareholders of approximately HK\$4.7 million (2003: loss of HK\$7.5 million).

DIVIDEND

The Board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2004.

BUSINESS REVIEW

During the year under review, the performance on the manufacturing and sales of smart cards and plastic cards was encouraging. Despite the keen competition in the industry, the Group enjoyed significant growth of turnover in 2004 notwithstanding lower average selling prices compared to 2003. Coupled with improvements in manufacturing productivity and in cost control followed by the Group's restructuring activities undertaken during 2003 and early 2004, this revenue growth led to strong increases in operating profit and profit after tax in 2004.

The manufacturing and sales of smart cards and plastic cards will continue to be the main focus of the Group in the coming years.

The market of smart card application systems, on the other hand, remained stagnant as customers were still cautious and inclined to reduce their demand for sophisticated multi-application smart card products/application and withheld their capital expenditure on these products. The management expects that the market will pick up steadily in 2005.

During the year, the Group has participated in various exhibitions and tradeshow in Asia and Europe to introduce and promote its smart cards solutions and products, which resulted in new contracts being concluded and the increase in its market presence in such areas.

PROSPECTS

In view of the anticipated growth in demand of smart cards in the market and the increasing efficiency of our operation in Beijing, the Directors intend to enhance the capacity of the production facilities so as to satisfy the substantial growth in the industry and to enhance the Group's market presence in the PRC as well as in other Asia-Pacific regions. With a positive industry environment and our established position in the market, the Board believes that the financial year 2005 will be even a better year for Cardlink.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend our gratitude to our customers, employees, and business associates who have worked hard to meet the challenges and achievements of 2004. To our shareholders I would like to thank you for your support and confidence in the future of the Company. We look forward to continuous growth and success in the coming years.

Wong Chi Ming

Chairman

Hong Kong, 17 March 2005

Management Discussion and Analysis

FINANCIAL AND OPERATION REVIEW

The year 2004 was a challenging yet an encouraging year to the Group. The competition in the telecommunications market intensified in the past several years, and our customers were forced to succumb to the continuous price wars and lowered their prices in order to stay competitive in the SIM card market which in turn imposed a price pressure to smart card manufacturing. Despite difficult environment experienced, the business focus and market strategies undertaken have started to yield results. This was reflected in our remarkably improved sales performance and profitability.

During the year under review, the overall production cost was gradually reduced to a competitive level. The manufacturing base of the Group, under the restructuring plan, has been successfully shifted from Hong Kong to Beijing of the PRC where manufacturing and operating costs are significantly lower. Moreover, the establishment and completion of our highly automated smart card production facilities in Beijing enables the Group to offer convenience and speedy delivery to its customers and achieved a better operational efficiency. All these favorable factors, together with our proactive sales and marketing activities, contributed to the improvement in our Group's operating performance.

During the year 2004, turnover increased 49%, from about HK\$41 million in 2003 to about HK\$61 million in 2004. The increase in turnover of about HK\$20 million was primarily the result of higher volume and improved product mix, partly offset by declining average selling prices, and also the increase in market share in smart cards and plastic cards in Asia Pacific Market. Of the total turnover amount for the year about HK\$56 million or about 92% was generated from manufacturing and sales of smart cards and plastic cards and about HK\$4 million or about 6% was generated from the sale of smart card application systems. Profit attributable to shareholders was about HK\$4.7 million.

The manufacturing and sales of smart cards and plastic cards will continue to be the main focus of the Group in the coming years.

The Company's gross profit also increased by 3.4 times, from about HK\$4 million in 2003 to about HK\$18 million in 2004, primarily as a result of higher turnover and improved product mix. As a percentage of turnover, gross profit increased from 10% in 2003 to 30% in 2004.

Cost of sales increased from about HK\$37 million in 2003 to about HK\$43 million in 2004, representing an increase of about 16% only as compared to the corresponding increase in turnover, which is 49%. The increase was due primarily to the significant increase in production volume and the increased depreciation charges associated with capital investment during the year. However, the increase in cost of sales was significantly offset by the improvements in manufacturing efficiency and performances, which is a direct consequence of the restructuring activities and cost control measures implemented by the management during 2003 and the year under review.

The selling and distribution costs increased about 60%, from about HK\$2.8 million in 2003 to about HK\$4.4 million in 2004, reflecting higher expenditure in distribution costs and other related expenses associated with the increased sales volume and in strengthening the Company's marketing efforts. The administrative expenses, on the contrary, recorded a decrease of about 23% from about HK\$13.5 million in 2003 to about HK\$10.4 million in 2004. Such remarkable decrease was partly the results from the Company's restructuring activities and cost control measures undertaken during the year under review, but more significantly, the 2003 period included a HK\$1.3 million provision for the impairment loss and a HK\$0.7 million amortisation charge in respect of an intangible asset. As a percentage of turnover, the selling and distribution cost slightly increased from about 6.7% in 2003 to about 7.2% in 2004 but the administrative expenses recorded a notable decline from about 32.7% in 2003 to about 17.0% in 2004, due primarily to higher turnover and the reasons as mentioned above.

In order to enhance the Group's market presence in the PRC and to explore more smart card business opportunities, during the year, the Group acquired certain new equity interest in Guangzhou Tecsun Golden Card Ltd ("Tecsun Goldcard"), a sino-foreign equity joint venture with limited liability incorporated in the PRC. The Board believes that Tecsun Goldcard would provide a valuable opportunity for the Group to further participate in the smart card business in the PRC and the Group will be benefit from the possible synergy from the acquisition. Please also refer to the announcements of the Company dated 1 September, 28 October and 29 December 2004 for further details of the transaction.

LIQUIDITY AND FINANCIAL RESOURCES

The Company was listed on GEM through placement of shares. As disclosed in the Prospectus, the Group intends to apply the net proceeds from the initial public offering of HK\$29 million to finance its expansion plan. The unutilised proceeds were placed in short-term interest bearing deposits with banks. For the year under review, the Group financed its operations with internal and external fundings. The Group has total current assets of about HK\$45 million and current liabilities of about HK\$18 million as at 31 December 2004. As at 31 December 2004, the Group has cash and cash equivalents of about HK\$19 million.

In the year of 2003, a finance leases obligation of approximately HK\$5.7 million bearing interest of 0.5% over the Hong Kong Prime Rate, and repayable in three years, was arranged for the Group's operation subsidiary in Beijing. As at 31 December 2004, the Group has outstanding finance leases payable of HK\$3 million.

EMPLOYEE INFORMATION

As at 31 December 2004, the Group employed a total of 286 employees, of which 15 were located in Hong Kong and the rest were located in the PRC. Employee cost, including directors' remuneration, was approximately HK\$10 million for the year under review. The Company remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

CAPITAL STRUCTURE

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

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

Saved as disclosed in the investment in Tecsun Goldcard under "Financial and Operation Review" of this section, there was no significant investments for the year ended 31 December 2004.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2004.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2004, there are no future plans for material investments or capital assets.

SEGMENTAL INFORMATION

Details have been set out in Note 9 under "Notes to the Financial Statements" and further elaborated under "Financial and Operation Review" of this section.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2004, the Group's bank deposit of about HK\$1.4 million was pledged as collateral for the finance leases arrangement of a subsidiary of the Company.

The Group did not have any significant contingent liabilities as at 31 December 2004.

GEARING RATIO

As at 31 December 2004, the shareholders' fund of the Group was about HK\$50 million. The Group has outstanding long-term obligations under finance leases of about HK\$1 million as at 31 December 2004. The Group's gearing ratio, expressed as a ratio of total long-term debts to shareholders' fund, was about 2% as of 31 December 2004 (2003: 6%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the transactions of the Group were denominated in HK dollars, U.S. dollars and Renminbi. Due to the Currency Board System in Hong Kong and the fact that the exchange of HK dollars against Renminbi was relatively stable during the year, the Group's exposure to exchange risk was considered to be minimal. No hedging or other alternatives have been implemented.

Profiles of Directors and Senior Management

DIRECTORS

Executive Directors

WONG Chi Ming, aged 48, is an executive Director and the Chairman of the Group. He was appointed as the Chairman of the Group in September 2001. He is responsible for the Group's overall system product development and formulation of corporate strategies of the Group. Mr. Wong is a chartered engineer and has over 25 years of experience in the radio frequency industry. Mr. Wong has been a quality assurance manager, an engineering manager, an operation manager and an assistant technical director in various companies in Hong Kong, and a US based company in Hong Kong prior to his joining to the Group.

FUNG Wing Mou, Bernard, aged 46, is an executive Director. He was appointed as Director of the Company in March 2002. He is responsible for the strategic planning and business development of the Group. Mr. Fung has more than 18 years of experience in management and development of technology company.

HO Lut Wa, Anton, aged 38, is an executive Director and the General Manager of the Group. Mr. Ho was appointed as a Director of the Company in September 2001. Mr. Ho is responsible for the Group's overall strategic planning, marketing and operations. Mr. Ho has over 14 years of experience in the field of electronic engineering. Before joining the Group, Mr. Ho was actively involved in the research and development in the area of high frequency switching mode power supply, cordless phone and pager in various companies in Hong Kong. He holds a Master Degree in Engineering Business Management from the University of Warwick, United Kingdom.

WONG Hon Sing, aged 47, is an executive Director. He was appointed as Director of the Company in September 2001. He is responsible for providing technical and engineering consultancy/support to the Group. Mr. Wong has over 21 years of production management experience in the field of manufacturing and quality assurance engineering. He holds a Master Degree in Manufacturing System Engineering from the University of Warwick, United Kingdom. Before joining the Group in July 1999, Mr. Wong was a quality assurance engineer, a manufacturing engineer, a quality assurance director, a director and a general manager in various companies in Hong Kong.

Independent Non-Executive Directors

LEUNG Ka Kui Johnny, aged 47, is an independent non-executive Director. He is one of the member of the Audit Committee of the Group. Mr. Leung is a qualified solicitor in Hong Kong, the United Kingdom and Singapore. He has over 17 years of experience in the legal field. Currently, he is the managing partner of Messrs. Johnny K. K. Leung & Co, a law firm in Hong Kong. Mr. Leung holds a Bachelor of Laws from the University of London, United Kingdom. Mr. Leung joined the Company in September 2001.

Profiles of Directors and Senior Management

WONG Ka Wai, Jeanne, aged 40, is an independent non-executive Director. She is the chairman of the Audit Committee of the Group. Ms. Wong has over 18 years of experience in finance, accounting, taxation and corporate affairs. Ms. Wong is a member of the Institute of Chartered Accountants in Australia and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She holds a Bachelor Degree in Economics from the University of Sydney, Australia. Ms. Wong is currently the chief financial officer of Pang & Associates, a law firm in Hong Kong and director of a few Hong Kong private companies providing consulting and management services. Ms. Wong joined the Company in September 2001.

WONG Wai Kwong, David, aged 47, is an independent non-executive Director. He had over 25 years of experience in finance, accounting, corporate and taxation affairs. He is a fellow member of the Association of Chartered Certified Accountants, and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He is currently an executive director and the company secretary of Incutech Investments Limited, an investing holding company listed on the Stock Exchange as well as of EganaGoldpfeil (Holdings) Limited, and Egana Jewellery & Pearls Limited, both are listed on the Stock Exchange, and a non-executive director of seven other companies listed on the Stock Exchange. Mr. Wong joined the Company in September 2004.

SENIOR MANAGEMENT

WONG Ka Chu, aged 39, is the Assistant General Manager of the Group. Mr. Wong is responsible for the Group's overall operation, production and logistic management. Mr. Wong has over 15 years of experience in production and project management and has been involved in various research and development projects in the areas such as computer and pager. He holds a Bachelor Degree in Applied Computing from Open University of Hong Kong. Before joining the Group, Mr. Wong has been a production manager, management information system manager, project manager and technical manager in various companies in Hong Kong.

LAU Ka Chung, aged 32, is the Financial Controller and the Company Secretary of the Group. Mr. Lau has over 8 years of experience in auditing, financial and management accounting, and internal control. Mr. Lau holds a Bachelor Degree in Business Administration (majoring in Finance) from the Hong Kong University of Science and Technology. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Lau joined the Group in May 2003.

HUI Chi Yung, Lawrence, aged 32, is the Sales and Marketing Manager of the Group. Mr. Hui is responsible for all sales and marketing activities of the Group. He is currently a director of Smart-Security Limited, a wholly-owned subsidiary of the Group. Mr. Hui joined the Group in November 2000.

Report of Directors

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. Details of the principal activities of principal subsidiaries are set out in note 13 to the financial statements.

The revenue of the Group is derived principally from the manufacturing and sales of smart cards and plastic cards, and the provision of customised smart card application system.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 21.

The Directors do not recommend the payment of a dividend.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

DIRECTORS

The Directors during the financial year were:

Executive Directors

Wong Chi Ming (*Chairman*)

Ho Lut Wa, Anton

Wong Hon Sing

Fung Wing Mou, Bernard

Report of Directors

DIRECTORS (CONTINUED)

Independent Non-Executive Directors

Wong Ka Wai, Jeanne
Leung Ka Kui, Johnny
Wong Wai Kwong, David (appointed on 20 September 2004)

In accordance with Articles 86(3) of the Company's Articles of Association, Mr. Wong Wai Kwong, David retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Articles 87 of the Company's Articles of Association, Mr. Leung Ka Kui, Johnny retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board still considers each of the Independent Non-Executive Directors to be independent.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 11 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Except for Mr. Fung Wing Mou, Bernard, each executive director has entered into a service contract with the Company for an initial term of two years commencing from 20 December 2001 (which were completed as at 19 December 2003) and will continue thereafter unless and until terminated by either party by giving three months prior written notice to the other. The Executive Directors are also entitled to a discretionary bonus calculated at a percentage of the audited consolidated profit of the Group attributable to the shareholders of the Company (but before such bonus) which percentage shall be determined by the Board of Directors, but in any event, the aggregate amount of such bonus payable in each financial year to all the Executive Directors of the Company shall not exceed 5% of such profit.

Each Non-Executive Director is appointed for an initial term of one year commencing on 20 December 2001 (save and except Mr. Wong Wai Kwong, David whose appointment commenced on 20 September 2004) and will continue thereafter unless and until terminated by either the Company or the relevant Non-Executive Director by giving one month written notice and such appointment is subject at all times to the articles of association of the Company. The appointment of each Non-Executive Directors was renewed automatically on 20 December 2004 (save and except Mr. Wong Wai Kwong, David whose appointment will be renewed automatically on 20 September 2005).

DIRECTORS' SERVICE CONTRACTS (CONTINUED)

Save as disclosed above, no Director has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance (as defined in rule 18.25 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange) to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

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

(i) Share Option Scheme

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

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period as the Board may determine which shall not be earlier than six months nor more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise period of an option during which period an option may not be exercised. Subject to the aforesaid, there is no minimum period for which an option must be held before it can be exercised.

Report of Directors

SHARE OPTION SCHEME (CONTINUED)

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

As at 31 December 2004, no options under this scheme had been granted.

(ii) Pre-IPO Share Option Scheme

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

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

During the year ended 31 December 2004, 4,000,000 and 2,400,000 Pre-IPO share options previously granted to an ex-director and an ex-staff respectively, were cancelled.

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

As at 31 December 2004, 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in the shares of the Company

Name of director	Number of shares				Total	Percentage of interests
	Personal interest	Family interest	Corporate interest	Other interest		
WONG Hon Sing	–	–	153,300,000	–	153,300,000	47.9
WONG Chi Ming	6,132,000	–	–	–	6,132,000	1.9
HO Lut Wa, Anton	6,132,000	–	–	–	6,132,000	1.9

Note: Mr. Wong Hon Sing is deemed to be interested in 153,300,000 shares of the Company held by Carkey Limited, which is wholly-owned by him.

Report of Directors

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

(ii) Rights to subscribe for shares in the Company

As at 31 December 2004, the Directors had personal interest in share options to subscribe for shares in the Company pursuant to the Company's Pre-IPO Share Option Scheme and the details as follows:

Director	Date of grant	Outstanding at 31 December 2004	Exercise price per share HK\$	Exercisable period
WONG Hon Sing	6 December 2001	4,000,000	0.282	20 December 2002 – 5 December 2011
WONG Chi Ming	6 December 2001	4,000,000	0.282	20 December 2002 – 5 December 2011
HO Lut Wa, Anton	6 December 2001	8,000,000	0.282	20 December 2002 – 5 December 2011

Note: 4,000,000 Pre-IPO share options previously granted to Mr. Lei Heong Man, an ex-director of the Company, were cancelled as at 20 January 2004.

Save as disclosed above, as at 31 December 2004, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the following persons/companies had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholders	Note	Number of shares held	Percentage of interests
Carkey Limited	1	153,300,000	47.9
Wong Hon Sing	1	153,300,000	47.9
i-Concepts Investment Limited	2	58,400,000	18.3
Dickson Group Holdings Limited	2	58,400,000	18.3

- Notes:
1. Mr. Wong Hon Sing is deemed to be a substantial shareholder of the Company by reason of his 100% beneficial interest in Carkey Limited. The shareholding is duplicated in the directors' and chief executive's interests disclosed above.
 2. i-Concepts Investment Limited is wholly-owned by Dickson Group Holdings Limited, a listed company on the Main Board of the Stock Exchange and Dickson Group Holdings Limited is therefore deemed to be interested in the Shares.

Save as disclosed above, as at 31 December 2004, 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.

Report of Directors

MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

Sales

– the largest customer	39%
– five largest customers in aggregate	73%

Purchases

– the largest supplier	27%
– five largest suppliers in aggregate	72%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the Group's five largest suppliers or customers during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

During the year ended 31 December 2004, the Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code.

AUDIT COMMITTEE

The Company established an audit committee in September 2001 with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Group's annual report and accounts, half year reports and quarterly reports and to provide advices and comments thereon to the Board of Directors. The audit committee will also be responsible for reviewing the financial reporting process and internal controls of the Group. The committee comprises three independent non-executive directors, Ms. Wong Ka Wai, Jeanne, Mr. Leung Ka Kui, Johnny and Mr. Wong Wai Kwong, David. Four meetings were held during the financial year 2004. The Group's audited results for the year ended 31 December 2004 have been reviewed by the audit committee.

COMPETING INTERESTS

As at 31 December 2004, 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.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 52 of the annual report.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint, Messrs. Moores Rowland Mazars, as auditors of the Company.

On behalf of the Board
Wong Chi Ming
Chairman

Hong Kong, 17 March 2005

Report of Auditors

Moores Rowland Mazars

摩斯倫·馬賽會計師事務所

Chartered Accountants
Certified Public Accountants

34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong
香港銅鑼灣希慎道33號利園廣場34樓

To the members of
CARDLINK TECHNOLOGY GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the financial statements on pages 21 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong, 17 March 2005

Consolidated Income Statement

Year ended 31 December 2004

	Note	2004 HK\$	2003 HK\$
Turnover	2	61,293,427	41,187,573
Cost of sales		(43,100,064)	(37,031,565)
Gross profit		18,193,363	4,156,008
Other revenue	2	1,759,092	2,989,107
Selling and distribution costs		(4,438,279)	(2,777,157)
Administrative expenses		(10,400,977)	(13,451,305)
Profit (Loss) from operations		5,113,199	(9,083,347)
Finance costs	3	(215,847)	(147,184)
Profit (Loss) from ordinary activities before taxation	3	4,897,352	(9,230,531)
Taxation	4	(206,021)	1,735,318
Profit (Loss) attributable to shareholders	7	4,691,331	(7,495,213)
Basic earnings (loss) per share	8	1.47 cents	(2.34) cents

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

	2004 HK\$	2003 HK\$
Shareholders' equity as at 1 January	45,344,998	52,840,211
Profit (Loss) for the year	4,691,331	(7,495,213)
Shareholders' equity as at 31 December	50,036,329	45,344,998

Consolidated Balance Sheet

At 31 December 2004

	Note	2004 HK\$	2003 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	18,097,345	20,608,090
Intangible assets	12	–	450,000
Other financial assets	14	4,458,058	7,000,000
Deferred tax assets	20	1,137,297	1,343,318
		23,692,700	29,401,408
Current assets			
Inventories	15	3,349,749	2,013,235
Trade and other receivables	16	22,399,323	15,565,863
Pledged bank deposit	17	1,408,386	1,406,508
Bank balances and cash		18,045,032	12,645,168
		45,202,490	31,630,774
Current liabilities			
Trade and other payables	18	15,991,173	10,907,704
Current portion of obligations under finance leases	19	1,911,792	1,911,792
		17,902,965	12,819,496
Net current assets		27,299,525	18,811,278
Total assets less current liabilities		50,992,225	48,212,686
Non-current liabilities			
Obligations under finance leases	19	955,896	2,867,688
NET ASSETS		50,036,329	45,344,998
CAPITAL AND RESERVES			
Issued capital	21	32,000,000	32,000,000
Reserves	23	18,036,329	13,344,998
		50,036,329	45,344,998

Approved and authorised for issue by the Board of Directors on 17 March 2005

Fung Wing Mou, Bernard
Director

Ho Lut Wa, Anton
Director

Balance Sheet

At 31 December 2004

	Note	2004 HK\$	2003 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	13	48,589,457	51,389,567
Current assets			
Deposits, prepayment and other debtors		136,430	30,666
Pledged bank deposit	17	1,408,386	1,406,508
Bank balances and cash		5,686,014	3,497,552
		7,230,830	4,934,726
Current liabilities			
Accrued charges and other creditors		209,530	345,318
Net current assets		7,021,300	4,589,408
NET ASSETS		55,610,757	55,978,975
CAPITAL AND RESERVES			
Issued capital	21	32,000,000	32,000,000
Reserves	23	23,610,757	23,978,975
		55,610,757	55,978,975

Approved and authorised for issue by the Board of Directors on 17 March 2005

Fung Wing Mou, Bernard
Director

Ho Lut Wa, Anton
Director

Consolidated Cash Flow Statement

At 31 December 2004

	Note	2004 HK\$	2003 HK\$
OPERATING ACTIVITIES			
Cash inflow from operations	24	4,746,808	4,408,585
Profits tax refund		–	483,732
Net cash inflow from operating activities		4,746,808	4,892,317
Investing activities			
Interest received		147,647	631,340
Purchase of property, plant and equipment		(3,422,567)	(3,424,481)
Acquisition of other financial assets		(942,507)	–
Acquisition of intangible assets		–	(2,600,000)
Redemption of convertible note		7,000,000	–
Net cash from (used in) investing activities		2,782,573	(5,393,141)
Financing activities			
Interest paid		(215,847)	(147,184)
Repayment of obligations under finance leases		(1,911,792)	(955,896)
Net cash used in financing activities		(2,127,639)	(1,103,080)
Net increase (decrease) in cash and cash equivalents		5,401,742	(1,603,904)
Cash and cash equivalents at 1 January		14,051,676	15,655,580
Cash and cash equivalents at 31 December		19,453,418	14,051,676
Analysis of the balances of cash and cash equivalents			
Pledged bank deposit		1,408,386	1,406,508
Bank balances and cash		18,045,032	12,645,168
		19,453,418	14,051,676

Notes to the Financial Statements

Year ended 31 December 2004

I. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules governing the Listing of Securities on the GEM of the Stock Exchange. A summary of the principal accounting policies adopted by the Group is set out below.

Impact of recently issued Hong Kong financial reporting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2004. The results of the subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal. All inter-company balances and transactions have been eliminated on consolidation.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between estimated net sales proceeds and the carrying amount of the assets and is recognised as an income or expense in the income statement.

Depreciation is provided to write off the cost less impairment losses of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the annual rate of 20%.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

Intangible assets

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Costs incurred on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are amortised over estimated useful life and subject to a maximum of five years. Other development expenditure is recognised in the income statement as an expense as incurred.

Patents and know-how

The initial costs of acquiring patents and know-how is capitalised and amortised over a period of two years in equal annual instalments. The cost of renewing patents and know-how is recognised as an expense in the period in which the costs are incurred.

Subsidiaries

A subsidiary, is an enterprise in which the Company, directly or indirectly, has the power to govern the financial and operating policies, so as to obtain benefits from its activities. Investments in subsidiaries are stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

Notes to the Financial Statements

Year ended 31 December 2004

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investment securities

Investment in equity or debt securities held on a continuing basis with an identified long term purpose are classified as investment securities, which are stated at cost less any provision for impairment losses that is expected to be other than temporary.

The carrying amount of individual investment securities, or holdings of the same securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline, other than temporary, has occurred, the carrying amount of such investments will be reduced to their fair value. The impairment loss is recognised as an expense in the period in which the decline occurs.

The impairment loss is written back to income when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible and intangible assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably.

Sales of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with time when goods are delivered to customers and title has passed.

Service income is recognised in the period when services are rendered.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Rental income under operating leases are recognised in the period in which the properties and equipments are let out on the straight-line basis over the lease terms.

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant contracts.

Foreign currencies

The Group maintains its accounting records in Hong Kong dollars and transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

Notes to the Financial Statements

Year ended 31 December 2004

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable and receivable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related party

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence.

Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Notes to the Financial Statements

Year ended 31 December 2004

I. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Segment reporting (continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, corporate and financing expenses.

2. TURNOVER AND REVENUE

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

Turnover and revenue recognised by category are as follows:

	The Group	
	2004 HK\$	2003 HK\$
Turnover		
Sales of smart cards and plastic cards	56,464,037	36,100,392
Sales of smart card application systems	3,761,027	4,877,470
Service and other income	1,068,363	209,711
	61,293,427	41,187,573
Other revenue		
Interest income	147,647	631,340
Gain on disposal of property, plant and equipment	1,535,696	–
Rental income	–	300,000
Royalty income	–	2,000,000
Sundry income	75,749	57,767
	1,759,092	2,989,107
	63,052,519	44,176,680

Notes to the Financial Statements

Year ended 31 December 2004

3. PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

	The Group	
	2004 HK\$	2003 HK\$
This is arrived at after charging:		
(a) Finance costs		
Finance charges on obligations under finance leases	215,847	147,184
(b) Other items		
Auditors' remuneration	297,135	208,477
Staff costs including directors' emoluments (Note 5)	10,332,999	12,003,986
Cost of inventories	21,581,388	16,878,182
Depreciation	5,473,457	4,868,087
Product development costs	122,709	590,506
Amortisation of development costs	450,000	1,123,376
Operating lease charges for premises	1,466,881	1,567,004
Impairment losses recognised:		
– Development costs	–	672,466
– Patents and know-how	–	1,333,333
Bad debts written off	105,300	13,190

4. TAXATION

	The Group	
	2004 HK\$	2003 HK\$
The charge (credit) comprises:		
Deferred taxation:		
Origination and reversal of temporary difference	206,021	(1,772,068)
Change in tax rate	–	36,750
	206,021	(1,735,318)

4. TAXATION (CONTINUED)

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the year is wholly absorbed by unrelieved tax losses brought forward from previous years. No provision for PRC foreign enterprise income tax has been made as the Group's subsidiary operating in Beijing, PRC is under tax holiday. Pursuant to the Income Tax Law and the Detailed Rules for the Implementation of the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises, the PRC subsidiary was entitled to exemption from PRC foreign enterprise income tax for the three years ending 31 December 2005 and a 50% reduction from PRC foreign enterprise income tax for the three years ending 31 December 2008.

Deferred tax recognised in the income statement

	2004 HK\$	2003 HK\$
Types of temporary differences:		
Depreciation allowances	(215,274)	(1,518,664)
Tax losses	421,295	(216,654)
	206,021	(1,735,318)

Reconciliation of tax expense

	2004 HK\$	2003 HK\$
Profit (Loss) from ordinary activities before taxation	4,897,352	(9,230,531)
Income tax at applicable tax rate of 17.5% (2003: 17.5%)	857,037	(1,615,343)
Non-deductible expenses	51,709	2,216,683
Effect of overseas tax rate differences	(181,265)	(173,529)
Tax exempt revenue	(697,690)	(2,537,068)
Effect of change in tax rates	–	36,750
Others	–	79,575
Unrecognised tax losses	96,213	335,628
Unrecognised timing differences	80,017	(78,014)
Tax expense (credit) for the year	206,021	(1,735,318)

The applicable tax rate is the Hong Kong profits tax rate of 17.5% (2003: 17.5%).

Notes to the Financial Statements

Year ended 31 December 2004

5. DIRECTORS' EMOLUMENTS

	The Group	
	2004 HK\$	2003 HK\$
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	112,500	100,000
Other emoluments:		
Salaries and other emoluments	1,035,000	1,814,310
Discretionary bonus	34,000	–
Long service payments	142,843	–
Contributions to retirement scheme	29,000	39,823
	1,353,343	1,954,133

The four executive directors of the Company received individual emoluments for the year ended 31 December 2004 of approximately HK\$784,000 (2003: HK\$895,000), HK\$126,500 (2003: HK\$136,000), HK\$227,500 (2003: HK\$136,000) and HK\$102,000 (2003: Nil) respectively.

The three non-executive directors of the Company received directors' fees for the year ended 31 December 2004 of approximately HK\$50,000 (2003: HK\$50,000) and HK\$50,000 (2003: HK\$50,000) and HK\$12,500 (2003: Nil) respectively.

The aggregate emoluments of each directors are less than HK\$1,000,000 in both years.

6. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include one (2003: two) directors. The aggregate emoluments of the remaining four (2003: three) highest paid individuals are as follows:

	2004 HK\$	2003 HK\$
Salaries and allowances	1,905,874	1,252,754
Contributions to retirement scheme	49,000	39,000
Compensation for loss of office	123,144	196,500
	2,078,018	1,488,254

The remuneration of each of these four (2003: three) individuals are less than HK\$1,000,000 in both years.

7. PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated net profit (loss) for the year includes a loss of approximately HK\$368,218 (2003: HK\$88,233) which has been dealt with in the financial statements of the Company for the year ended 31 December 2004.

8. BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit attributable to the shareholders for the year of HK\$4,691,331 (2003: loss of HK\$7,495,213) and the weighted average number of 320,000,000 shares (2003: 320,000,000 shares) in issue during the year.

Diluted earnings per share for the year ended 31 December 2004 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 year. Diluted loss per share for the year ended 31 December 2003 has not been presented as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share.

Notes to the Financial Statements

Year ended 31 December 2004

9. SEGMENT REPORTING

The Group comprises the following main business segments:

	Sales of smart cards and plastic cards		Sales of smart card application systems		Others		Consolidated	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Turnover								
External sales	56,464,037	36,100,392	3,761,027	4,877,470	1,068,363	209,711	61,293,427	41,187,573
Result								
Segment result	16,787,971	5,724,923	337,029	(1,778,627)			17,125,000	3,946,296
Unallocated operating income and expenses							(12,011,801)	(13,029,643)
Profit (Loss) from operations							5,113,199	(9,083,347)
Finance costs							(215,847)	(147,184)
Taxation							4,897,352	(9,230,531)
							(206,021)	1,735,318
Profit (Loss) attributable to the shareholders							4,691,331	(7,495,213)
Assets and liabilities								
Segment assets	35,129,178	29,441,494	1,921,163	1,734,886			37,050,341	31,176,380
Unallocated assets							31,844,849	29,855,802
Total assets							68,895,190	61,032,182
Segment liabilities	15,012,880	10,982,577	995,341	385,300			16,008,221	11,367,877
Unallocated liabilities							2,850,640	4,319,307
Total liabilities							18,858,861	15,687,184
Other information								
Capital expenditure incurred during the year	3,760,386	11,692,441	–	2,600,000	1,182,181	1,667,416		
Impairment losses recognised in the income statement	–	2,005,799	–	–				
Depreciation and amortisation for the year	4,381,355	3,945,174	450,000	1,123,376	1,092,102	922,913		

9. SEGMENT REPORTING (CONTINUED)

Geographical segments:

	Revenue				Assets				Capital expenditure			
	2004		2003		2004		2003		2004		2003	
	HK\$		HK\$		HK\$		HK\$		HK\$		HK\$	
Hong Kong	8,551,606	14%	8,052,172	20%	35,722,060	52%	31,636,869	52%	1,700,490	34%	6,828,712	43%
North Asia	2,512,088	4%	3,476,198	9%	-	-	-	-	-	-	-	-
PRC	27,293,665	45%	21,425,874	52%	33,173,130	48%	29,395,313	48%	3,242,077	66%	9,131,145	57%
South Asia	15,232,726	25%	5,108,128	12%	-	-	-	-	-	-	-	-
Europe	2,699,162	4%	2,639,708	6%	-	-	-	-	-	-	-	-
Others	5,004,180	8%	485,493	1%	-	-	-	-	-	-	-	-
	61,293,427	100%	41,187,573	100%	68,895,190	100%	61,032,182	100%	4,942,567	100%	15,959,857	100%

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, segment assets and segment capital expenditure are based on the geographical location of assets.

10. RETIREMENT SCHEMES

Under the Mandatory Provident Fund Schemes Ordinance regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2001, the Group participates in a Mandatory Provident Fund scheme (the "MPF scheme") operated by an approved trustee in Hong Kong and makes contributions for its eligible employees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the scheme vest immediately.

During the year ended 31 December 2004, the aggregate amount of employer's contribution made by the Group is HK\$188,201 (2003: HK\$333,714).

Notes to the Financial Statements

Year ended 31 December 2004

II. PROPERTY, PLANT AND EQUIPMENT

	Printing and testing equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$
The Group						
Cost						
At 1 January 2004	25,669,916	1,831,861	1,649,930	1,473,052	564,492	31,189,251
Addition during the year	3,760,386	265,818	342,459	573,904	–	4,942,567
Disposal	(7,130,145)	(1,230,124)	(327,187)	(577,658)	–	(9,265,114)
At 31 December 2004	22,300,157	867,555	1,665,202	1,469,298	564,492	26,866,704
Accumulated depreciation						
At 1 January 2004	8,128,301	978,590	507,050	754,488	212,732	10,581,161
Charge for the year	4,381,355	254,715	282,752	460,742	93,893	5,473,457
Write back on disposal	(5,770,327)	(864,822)	(299,603)	(350,507)	–	(7,285,259)
At 31 December 2004	6,739,329	368,483	490,199	864,723	306,625	8,769,359
Net book value						
At 31 December 2004	15,560,828	499,072	1,175,003	604,575	257,867	18,097,345
At 31 December 2003	17,541,615	853,271	1,142,880	718,564	351,760	20,608,090

The net book value of the Group's printing and testing equipment includes an amount of HK\$4,381,393 (2003: HK\$6,176,162) in respect of assets held under finance leases.

12. INTANGIBLE ASSETS

	Development costs HK\$	Patents and know-how HK\$	Total HK\$
The Group			
At 1 January 2004 and at 31 December 2004	1,118,138	2,600,000	3,718,138
Amortisation			
At 1 January 2004	1,118,138	2,150,000	3,268,138
Provided for the year	–	450,000	450,000
At 31 December 2004	1,118,138	2,600,000	3,718,138
Carrying amount			
At 31 December 2004	–	–	–
At 31 December 2003	–	450,000	450,000

The amortisation provided for the year is included in the "Cost of sales" in the consolidated income statement.

13. INTEREST IN SUBSIDIARIES

	The Company	
	2004 HK\$	2003 HK\$
Unlisted shares, at cost	26,954,990	26,954,990
Due from subsidiaries	21,634,467	17,434,577
Loan to a subsidiary	–	7,000,000
	48,589,457	51,389,567

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

The loan to a subsidiary bore interest at 8% per annum and was repaid on 24 March 2004.

Notes to the Financial Statements

Year ended 31 December 2004

13. INTEREST IN SUBSIDIARIES (CONTINUED)

Details of the Company's subsidiaries, which are all wholly-owned, are as follows:

Name of company	Place of incorporation	Issued and fully paid share capital/paid-up registered capital	Principal activities and place of operation
Apex Limited	Hong Kong	HK\$10,000 ordinary share	Inactive
Beijing Venus Technology Limited	The People's Republic of China	US\$500,000 registered capital	Smart card and plastic card manufacturing and sales in the PRC
Billion Apex Limited	The British Virgin Islands	US\$1 ordinary share	Investment holding
Cardlink Technology (HK) Limited	Hong Kong	HK\$10,000 ordinary share	Investment holding and general trading
InterCard Limited	Hong Kong	HK\$10,666,667 ordinary share	Smart card and plastic card manufacturing, system development and provision of research and development, marketing and sales in Hong Kong
Manibo Limited	Republic of Mauritius	US\$1 ordinary share	Investment holding
PMIS Limited	Hong Kong	HK\$10,000 ordinary share	Development and provision of smart card application systems in Hong Kong
Rapid Limited	Hong Kong	HK\$10,000 ordinary share	Inactive
Smart-Security Limited	Hong Kong	HK\$10,000 ordinary share	Development and provision of smart card application systems in Hong Kong

13. INTEREST IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation	Issued and fully paid share capital/paid-up registered capital	Principal activities and place of operation
Ultra Force Holdings Limited	The British Virgin Islands	US\$1 ordinary share	Investment holding
Waystech Group Limited	The British Virgin Islands	US\$10,000 ordinary share	Investment holding
World Praise International Limited	The British Virgin Islands	US\$1 ordinary share	Investment holding

Other than Waystech Group Limited, which is held directly by the Company, all subsidiaries are held by the Company indirectly.

14. OTHER FINANCIAL ASSETS

	Note	The Group	
		2004 HK\$	2003 HK\$
Unlisted investment			
Debt securities, at cost	14(a)	–	7,000,000
Equity securities, at cost	14(b)	4,458,058	–
		4,458,058	7,000,000

14(a) The unlisted debt securities represented a convertible note which was convertible into ordinary shares in accordance with the terms of the convertible note, bearing interest at 8% per annum and maturing on 9 July 2004. On 19 March 2004, the convertible note was redeemed and on 23 March 2004 the Group received the principal amount of the convertible note in full.

14(b) At the balance sheet date, the aggregate amount of the Group's holdings in of the following company exceeds 5% of total assets of the Group:

Name of investee company	Place of incorporation	Paid-up registered capital	Registered capital held by the Group
Guangzhou Tecsun Goldcard Ltd. (廣州德生金卡有限公司)	The People's Republic of China	RMB41,730,000	11.33%

Notes to the Financial Statements

Year ended 31 December 2004

15. INVENTORIES

	The Group	
	2004 HK\$	2003 HK\$
Raw materials	1,487,831	1,117,097
Work-in-progress	595,157	102,189
Finished goods	1,266,761	793,949
	3,349,749	2,013,235

16. TRADE AND OTHER RECEIVABLES

	The Group	
	2004 HK\$	2003 HK\$
Trade receivables		
From third parties	18,154,764	11,171,530
Other receivables		
Deposits, prepayment and other debtors	4,244,559	4,394,333
	22,399,323	15,565,863

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

	The Group	
	2004 HK\$	2003 HK\$
Current – 30 days	11,083,301	6,312,602
31 – 90 days	4,359,762	2,353,363
Over 90 days	2,711,701	2,505,565
	18,154,764	11,171,530

17. PLEDGED BANK DEPOSIT

At balance sheet date, bank deposit of HK\$1,408,386 (2003: HK\$1,406,508) was pledged as collateral for a finance lease arrangement in respect of certain machineries purchased by a subsidiary of the Company.

18. TRADE AND OTHER PAYABLES

	The Group	
	2004 HK\$	2003 HK\$
Trade payables		
To third parties	13,682,683	5,846,616
Other payables		
Accrued charges and other creditors	2,308,490	5,061,088
	15,991,173	10,907,704

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

	The Group	
	2004 HK\$	2003 HK\$
Current – 30 days	9,360,893	3,944,951
31 – 60 days	523,339	392,603
61 – 90 days	861,743	920,808
Over 90 days	2,936,708	588,254
	13,682,683	5,846,616

Notes to the Financial Statements

Year ended 31 December 2004

19. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Amount payable:				
Within one year	2,021,262	2,127,083	1,911,792	1,911,792
Between one to two years	971,188	2,021,262	955,896	1,911,792
Between two to five years	–	971,188	–	955,896
	2,992,450	5,119,533	2,867,688	4,779,480
Future finance charges	(124,762)	(340,053)	–	–
Present value of lease obligations	2,867,688	4,779,480	2,867,688	4,779,480

The finance leases arrangement is secured by the Group's bank deposit amounting to HK\$1,408,386.

The average lease term is three years and all leases are repayable in fixed monthly principal instalments plus interest. There is no arrangement for contingent rent payments.

20. DEFERRED TAXATION

Recognised deferred tax assets (liabilities)

	The Group			
	Assets		Liabilities	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Depreciation allowances	–	–	(457,062)	(672,336)
Tax losses	1,594,359	2,015,654	–	–
Deferred tax assets (liabilities)	1,594,359	2,015,654	(457,062)	(672,336)
Offset deferred tax assets and liabilities	(457,062)	(672,336)	457,062	672,336
Net recognised deferred tax assets	1,137,297	1,343,318	–	–

20. DEFERRED TAXATION (CONTINUED)

The Group recognised deferred tax assets arising from tax losses of certain subsidiaries in Hong Kong in excess of the profits arising from the reversal of existing taxable temporary differences amounted to HK\$1,137,297 (2003: HK\$1,343,318). By restructuring the production facilities in Hong Kong, better utilising the resources and increasing the operation efficiency, the directors consider it is probable that these subsidiaries will have sufficient taxable profit to utilise the recognised deferred tax asset.

Unrecognised deferred tax

The Group has not recognised any deferred tax assets in respect of tax losses of HK\$2,960,240 (2003 : HK\$2,410,451). The tax losses do not expire under current tax legislation. Deferred tax assets have not recognised in respect of these items due to uncertainty of their recoverability.

The Company had no significant unprovided deferred taxation at the balance sheet date.

21. ISSUED CAPITAL

	2004 HK\$	2003 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000,000	100,000,000
Issued by fully paid:		
320,000,000 ordinary shares of HK\$0.10 each	32,000,000	32,000,000

Notes to the Financial Statements

Year ended 31 December 2004

22. SHARE OPTION SCHEME

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

Share Option Scheme

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

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

As at 31 December 2004, no options under this scheme had been granted.

Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognise and motivate the contribution of employees to the growth of the Group. On 6 December 2001, options to subscribe for an aggregate of 28,800,000 Shares at an exercise price of HK\$0.282 per share were granted by the Company to the Directors of the Company and certain employees of the Group. Pursuant to the Pre-IPO Share Option Scheme, the 5 executive Directors of the Group were granted options to subscribe for an aggregate of 24,000,000 shares in the Company (where details are disclosed in the section of "Directors' Interests in Equity Securities"), 2 senior management staff were granted options to subscribe for an aggregate of 4,800,000 Shares in the Company.

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

During the year ended 31 December 2004, 4,000,000 and 2,400,000 Pre-IPO share options previously granted to an ex-director and an ex-staff respectively were cancelled.

23. RESERVES

	Contributed surplus HK\$	Other reserves HK\$	Exchange difference HK\$	Accumulated profits (losses) HK\$	Total HK\$
The Group					
At 1 January 2003	13,985,669	7	(8,407)	6,862,942	20,840,211
Loss for the year	–	–	–	(7,495,213)	(7,495,213)
At 31 December 2003	13,985,669	7	(8,407)	(632,271)	13,344,998
Profit for the year	–	–	–	4,691,331	4,691,331
At 31 December 2004	13,985,669	7	(8,407)	4,059,060	18,036,329

	Contributed surplus HK\$	Other reserves HK\$	Accumulated losses HK\$	Total HK\$
The Company				
At 1 January 2003	24,190,659	7	(123,458)	24,067,208
Loss for the year	–	–	(88,233)	(88,233)
At 31 December 2003	24,190,659	7	(211,691)	23,978,975
Loss for the year	–	–	(368,218)	(368,218)
At 31 December 2004	24,190,659	7	(579,909)	23,610,757

The contributed surplus of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the share capital of the Company issued in exchange therefor less share issue expenses.

The exchange difference of the Group represents the difference on translation of the financial statements of a PRC subsidiary.

The contributed surplus of the Company represents the difference between the then combined net assets value of the subsidiaries acquired pursuant to the same reorganisation over the nominal value of the share capital of the Company issued in exchange therefor less share issue expenses.

Notes to the Financial Statements

Year ended 31 December 2004

23. RESERVES (CONTINUED)

The Company's reserve available for distribution represent the contributed surplus and other reserves less accumulated loss. At the balance sheet date, the Company had HK\$23,610,757 reserves available for distribution.

24. CASH INFLOW FROM OPERATIONS

	The Group	
	2004 HK\$	2003 HK\$
Profit (Loss) from ordinary activities before taxation	4,897,352	(9,230,531)
Amortisation of intangible assets	450,000	1,123,376
Depreciation	5,473,457	4,868,087
Impairment losses	–	2,005,799
Interest income	(147,647)	(631,340)
Interest expenses	215,847	147,184
Gain on disposal of property, plant and equipment	(1,535,696)	–
Changes in working capital:		
Inventories	(1,336,514)	1,900,848
Trade and other receivables	(8,353,460)	(2,194,990)
Trade and other payables	5,083,469	6,420,152
Cash inflow from operations	4,746,808	4,408,585

25. MAJOR NON-CASH TRANSACTION

- (i) During the year, the Group has acquired an unlisted equity security with a total cost of HK\$4,458,058, of which HK\$3,515,551 was settled by means of certain assets and machineries injection and the remaining balance of HK\$942,507 was satisfied by cash.
- (ii) During the year, the Group took over certain machineries as full settlement of the royalty receivable from a third party of HK\$1,520,000.

26. CAPITAL COMMITMENTS

	The Group	
	2004 HK\$	2003 HK\$
Contracted but not provided for in respect of acquisition of property, plant and equipment	2,481,050	600,000

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

27. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases of HK\$734,296 (2003: HK\$1,173,747), which are payable within one year.

28. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group has no other transactions with related parties during the current year.

Financial Summary

Year ended 31 December 2004

The following is a summary of the combined results and combined assets and liabilities of the Group for each of the five years ended 31 December 2004 prepared on the basis set out in the notes below:

COMBINED RESULTS

	2000	2001	2002	2003	2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	34,391,855	43,988,073	36,268,650	41,187,573	61,293,427
Profit (Loss) from operations	7,880,900	11,565,840	(3,987,216)	(9,083,347)	5,113,199
Finance costs	(787,094)	(544,875)	–	(147,184)	(215,847)
Share of result of associate	125,995	(212)	–	–	–
Profit (Loss) before taxation	7,219,801	11,020,753	(3,987,216)	(9,230,531)	4,897,352
Taxation	(1,573,019)	(1,646,000)	874,111	1,735,318	(206,021)
Profit (Loss) after taxation	5,646,782	9,374,753	(3,113,105)	(7,495,213)	4,691,331
Minority interest	46,017	–	–	–	–
Net profit (loss) attributable to shareholders	5,692,799	9,374,753	(3,113,105)	(7,495,213)	4,691,331
Basic earnings (loss) per share	2.37 cents	3.86 cents	(0.97) cents	(2.34) cents	1.47 cents

COMBINED ASSETS AND LIABILITIES

Non-current assets	2,313,765	9,275,272	24,295,495	29,401,408	23,692,700
Current assets	35,811,361	50,558,568	33,424,268	31,630,774	45,202,490
Current liabilities	13,985,449	2,607,190	4,487,552	12,819,496	17,902,965
Non-current liabilities	388,383	1,264,927	392,000	2,867,688	955,896

Notes:

- The results of the Group for the year ended 31 December 2000 presented above have been extracted from the Company's prospectus dated 13 December 2001 when the listing of the Company's shares was sought on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
- The results for the year ended 31 December 2004 have been extracted from the consolidated income statement as set out on page 21 of the financial statements.