Cardlink
Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8066

Annual Report 2006

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.

Contents

Corporate Information

DIRECTORS

Executive Directors

Lily Wu *(Chairman)*
Ho Lut Wa, Anton *(Chief Executive Officer)*
Chang Wei Wen
(appointed as non-executive Director on 10 May 2006 and re-designated as executive Director on 12 December 2006)
Leung Quan Yue, Michelle
Fung Wing Mou, Bernard
(resigned on 1 April 2006)
Wong Chi Ming *(former Chairman)*
(resigned on 1 April 2006)

Independent non-executive Directors

Chan Siu Wing, Raymond
(appointed on 12 February 2007)
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Wong Wai Kwong, David
(resigned on 1 March 2007)

COMPLIANCE OFFICER

Lily Wu

QUALIFIED ACCOUNTANT

Lau Ka Chung *(CPA, ACS, ACIS)*

COMPANY SECRETARY

Lau Ka Chung *(CPA, ACS, ACIS)*

AUTHORISED REPRESENTATIVES

Lily Wu
Ho Lut Wa, Anton
(resigned on 12 December 2006)
Chang Wei Wen
(appointed on 12 December 2006)

AUDIT COMMITTEE

Chan Siu Wing, Raymond
(appointed on 12 February 2007)
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Wong Wai Kwong, David
(resigned on 1 March 2007)

REMUNERATION COMMITTEE

Lily Wu
Ho Lut Wa, Anton
Chan Siu Wing, Raymond
(appointed on 12 February 2007)
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Wong Wai Kwong, David
(resigned on 1 March 2007)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O.Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

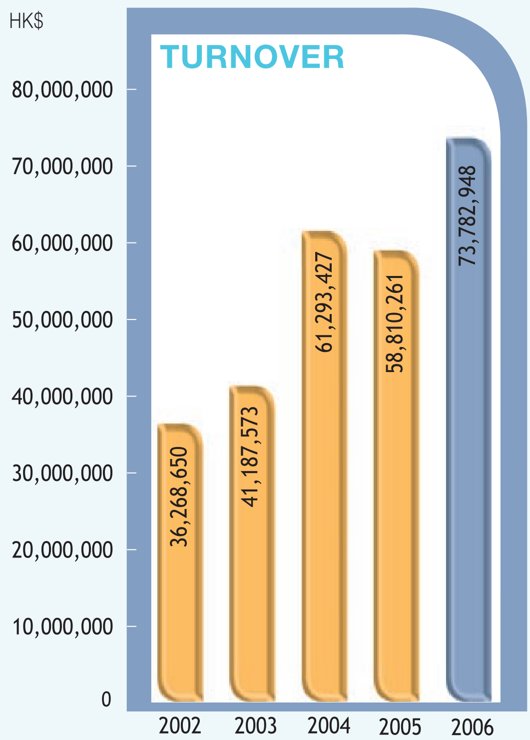
PRINCIPAL BANKERS

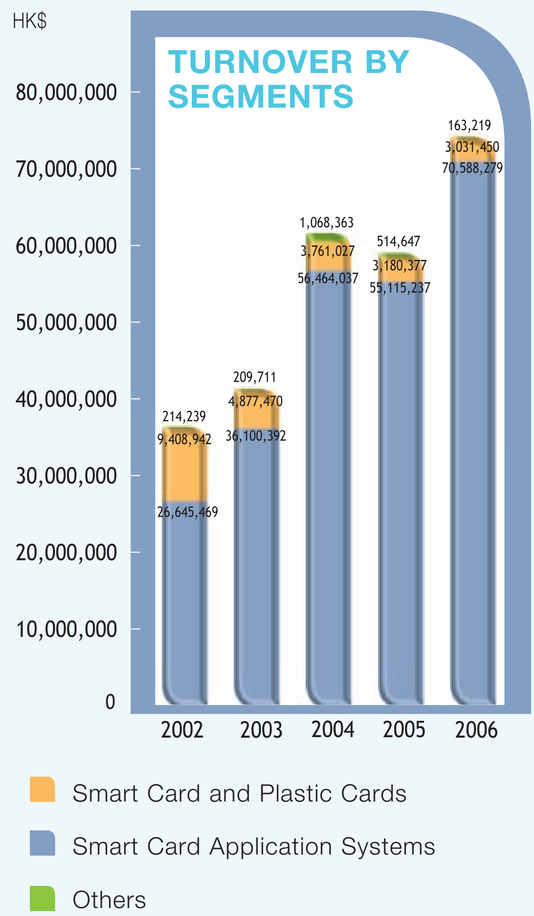
First Commercial Bank
Hang Seng Bank
Nanyang Commercial Bank Limited

AUDITORS

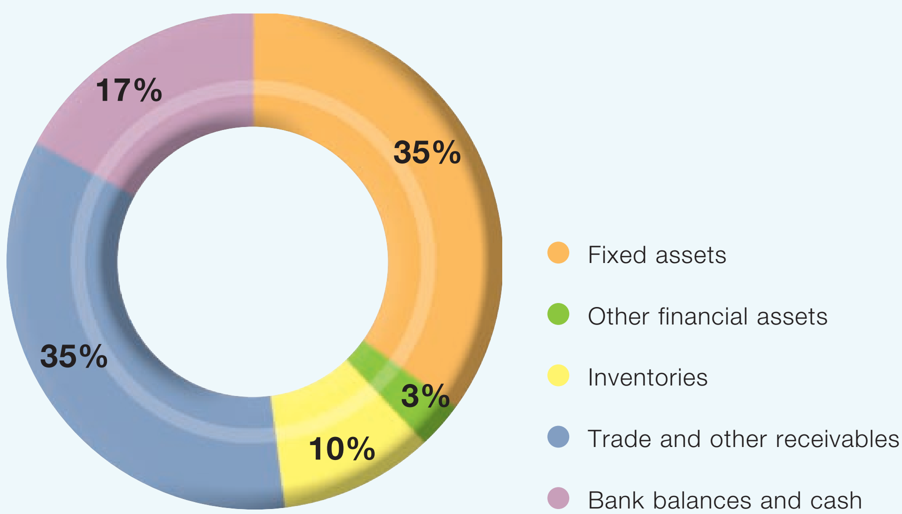
Moores Rowland Mazars

Financial Highlights





TOTAL ASSETS AS 31 DECEMBER 2006



Manufacturing

To enable our customers with fast and rapid delivery, Cardlink has equipped with sufficient manufacturing capacity, the Company is able to deliver over 200 million cards per year with more than 20 production lines located at both Beijing and Shenzhen Factory.

Cardlink has 4 personalisation production lines which allow the Group to deliver 96 million cards per year. The Group also decided to expand its personalisation facilities by installing two additional production lines at its factory, which is expected to commence operation by the end of 2007.

Quality

About Cardlink

Cardlink provides end to end service to customers from printing to packaging service. With state-of-the-art machineries and well-trained operators, it is guaranteed that all our products conform to ISO IEC 7810, 7816 standard.

The Group is not only equipped with automatic inspection system, but also guaranteed with 100% inspection for QC and QA on all the products before outgoing shipment.

Both Shenzhen and Beijing factories were awarded with ISO 9000 Quality Certificates, these further ensure that all its products with full traceability.

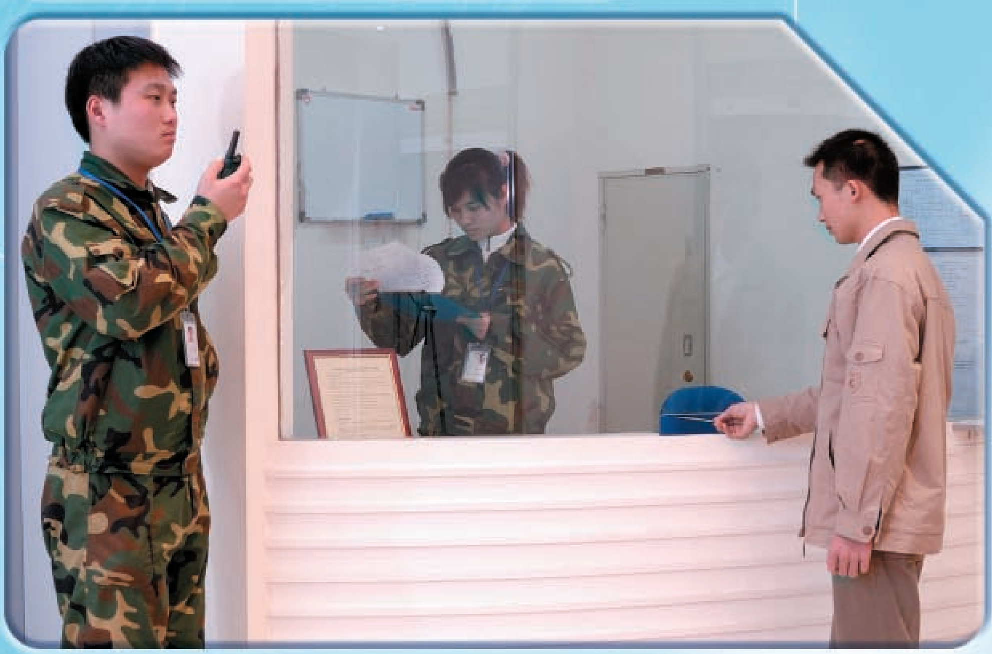
About Cardlink

Security

Security measure is one of the most important factors for Cardlink. Special procedures and policies have been implemented to ensure necessary security control have been applied throughout the whole manufacturing process.

The security control includes, visitor registration, surveillance control with 7 days 24 hours recording system, safety vault and strong room for all semi-finished and finished products.

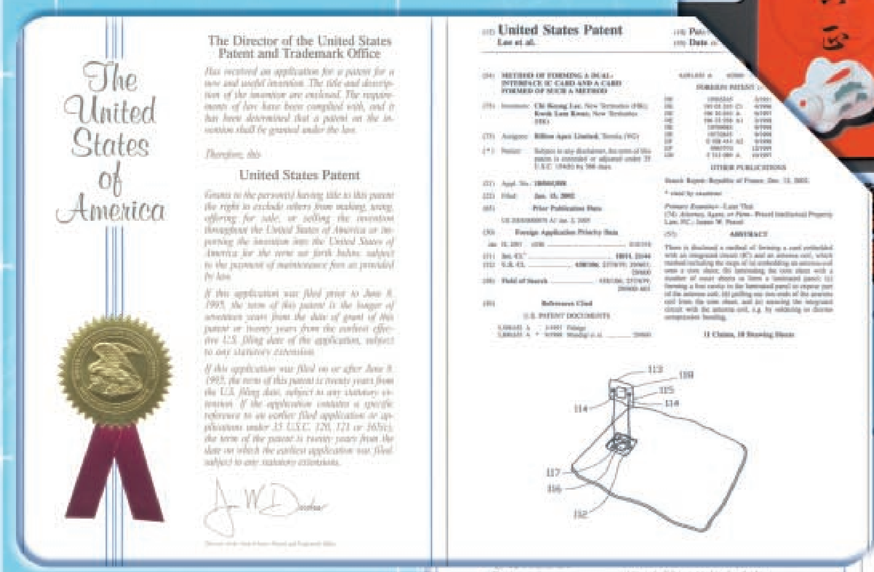
The Group also established with its disaster recovery plan, and this allows double safety to our customer. In order to strengthen the overall security control, the Group is applying for SAS (Security Accreditation System) from the GSM organization.

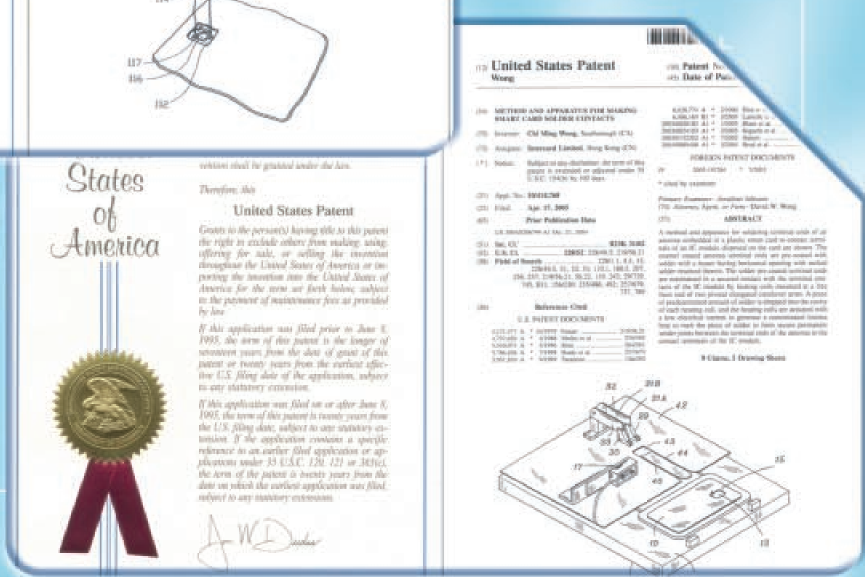


About Cardlink

Technology

Cardlink always keeps focus on innovation of manufacturing technology, with numerous amount of effort, the Group has been awarded for 2 US patents in Dual Interface Card manufacturing method, and also another 3 patents in Taiwan, for Low Frequency Card, High Frequency Card and Dual Interface Card manufacturing.





Chairman's Statement

TO OUR SHAREHOLDERS

The results of Cardlink Technology Group Limited (the "Company" or "Cardlink") in 2006 confirmed that our business strategy of pursuing international orders is on a sound track going forward. During the year under review, we delivered strong revenue growth by increasing our market presence in the SIM card market. Our production capacity in Beijing and Shenzhen were also enhanced to deliver the best quality and rapid turnaround time to our customers. With the right business strategies, we are positioning to seize increasing opportunities in the future.

RESULTS

For the year ended 31 December 2006, the Company recorded a consolidated turnover of about HK$73.8 million *(2005: about HK$58.8 million)* and profit attributable to shareholders of about HK$0.1 million *(2005: a loss of about HK$2 million)*.

DIVIDEND

The Board (the "Board") of Directors (the "Directors") of the Company does not recommend the payment of a final dividend for the year ended 31 December 2006.

BUSINESS REVIEW

During the year under review, the Company and its subsidiaries (collectively, the "Group") was principally engaged in the manufacture and sale of smart cards and plastic cards. The Group was also engaged in the provision of customised smart card application systems.

The year 2006 was as challenging as 2005 for the Group. The competition in the telecommunications market was very fierce. However, the Group was still able to deliver strong revenue growth in the latter half of 2006, harvesting the investments we made in 2005 with a new Shenzhen plant to grow Cardlink's market share with international orders and expanded capabilities. With the completion and full utilisation of our highly automated smart card production facilities in Shenzhen in the second half of 2006, the Group was not only able to offer convenient and speedy delivery service to its customers but also achieved a better operational efficiency.

Chairman's Statement

PROSPECTS

On 26 February 2007, the Company entered into a subscription agreement with Golden Dice Co., Ltd. as the subscriber, pursuant to which, the Company has allotted and issued to Golden Dice Co., Ltd. 64,000,000 new shares of the Company at HK$0.10 per subscription share. The subscription was completed on 7 March 2007. As a result of the subscription, the Company received net proceeds of approximately HK$6.1 million. The Directors consider that the subscription would broaden the shareholder base and expand the capital base of the Company, as well as provide additional working capital for the Group for future expansion.

Looking ahead, we will stay focused on driving progressive growth on our SIM card products in various regions. We are also looking for expanding our production scale in order to meet customers' demand and achieve better economies of scale. The coming year will be full of competitive challenges as well as opportunities. It is through the pursuit of correct strategies and the continual implementation of operating discipline that we will be in a position to continue growing the Company, and enhancing shareholder value.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extent our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2006. I would also like to express my heartfelt appreciation to our shareholders, business partners, investors and customers for their continuous support.

Lily WU
Chairman

Hong Kong, 26 March 2007

Management Discussion and Analysis

BUSINESS AND OPERATION REVIEW

During the year under review, the Group was principally engaged in the manufacture and sale of smart cards and plastic cards. The Group was also engaged in the provision of customised smart card application systems.

The year 2006 was as challenging as the one in 2005 for the Group. The competition in the telecommunications market was very fierce. However, the Group was still able to deliver strong revenue growth in the latter of this year, which proved the fact that our progressive strategy laid down in previous years in enhancing market presence was successful. With the completion and full utilisation of our highly automated smart card production facilities in Shenzhen in the latter half of this year, the Group was not only able to offer convenient and speedy delivery service to its customers but also achieved a better operational efficiency.

In terms of geographic breakdown, the South Asia market becomes the largest single market for the Group, accounted for about HK$31.3 million, or about 42.4% of the total revenue. The PRC market ranked the second largest market for the Group, which amounted to about HK$24.9 million, or about 33.7%, of the total revenue. Other geographic areas also offer promising opportunities for growth in the future.

FINANCIAL REVIEW

Revenue for the year ended 31 December 2006 was about HK$73.8 million, representing an increase of about HK$15 million, or about 25.5%, as compared to the last year of about HK$58.8 million. Profit attributable to shareholders for the year was about HK$0.1 million.

Out of the total turnover for the year, about HK$70.6 million, or about 95.7%, was generated from the manufacturing and sales of smart cards and plastic cards, and about HK$3 million, or about 4.1%, was generated from the sales of smart card application systems.

Gross profit margin for the year ended 31 December 2006 decreased to about 27.5% as compared with about 30.9% in last year. During the year under review, cost of sales increased from about HK$40.6 million in 2005 to about HK$53.5 million in 2006, representing an increase of about 31.7% as compared to the corresponding increase in turnover, which was only about 25.5%. The increase was largely attributable to the substantial increase in depreciation charges, as well as factory overheads expenses, as a result of the expansion of our production plant in Shenzhen which was set up in late 2005.

Selling and distribution costs decreased slightly by about 0.6%, from about HK$5.4 million in 2005 to about HK$5.3 million in 2006. Likewise, administrative expenses also recorded a decrease of about 6.5%, from about HK$14.5 million in 2005 to about HK$13.5 million in 2006. However, included in last year's administrative expenses was an one-off impairment loss of HK$2.3 million in respect of an equity interest in Guangzhou Tecsun Golden Card Ltd. If setting aside this factor, there was actually an increase in administrative expense of about HK$1.4 million, or about 11.1%. The increase in administrative expenses was primarily attributable to the operating costs associated with the Group's new factory in Shenzhen.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the period under review, the Group financed its business operations with cash revenue generated from operating activities, bank loan, and finance lease arrangements. The Group had cash and bank balances of about HK$13.5 million, secured bank loan of HK$1 million, and finance lease payables of about HK$7 million, as at 31 December 2006.

As at 31 December 2006, the Group had three finance lease arrangements used for financing the acquisition of certain printing machinery and personalisation equipment for the production lines in the PRC. The finance leases are all bearing interest of 0.5% over the Hong Kong Prime Rate per annum, repayable in three years, and denominated in Hong Kong dollars. In additions, the Group had a bank loan used for its working capital. The bank loan is bearing interest of 2% over 12-month Hongkong Interbank Offer Rate per annum, repayable within one year, and denominated in Hong Kong dollars.

As at 31 December 2006, the Group had current assets of about HK$48 million and current liabilities of about HK$25.3 million. The current ratio, expressed as current assets over current liabilities, was maintained at the satisfactory level of about 1.9.

EMPLOYEE INFORMATION

As at 31 December 2006, the Group employed a total of 536 employees, of which 14 were located in Hong Kong and the rest were located in the PRC. Employee cost, including directors' remuneration, was about HK$13 million for the year under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

SIGNIFICANT INVESTMENTS

With the exception of the investment disclosed in note 13 under "Notes to the Financial Statements", there were no other significant investments for the year ended 31 December 2006.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2006.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2006, there were 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 are further elaborated under "Business and Operation Review" and "Financial Review" of this section.

Management Discussion and Analysis

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2006, the Company's bank deposits of about HK$4.5 million were pledged as collateral under certain finance lease arrangements and bank loan for the purchase of machineries.

The Company and two subsidiaries have provided guarantees of repayment in respect of bank loan and finance lease obligations of other subsidiaries amounting to about HK$12.6 million *(2005: about HK$15.6 million)* of which about HK$8 million *(2005: about HK$9.1 million)* was outstanding as at 31 December 2006.

GEARING RATIO

As at 31 December 2006, the shareholders' fund of the Group was about HK$49.2 million. The Group had outstanding long-term obligations under finance leases of about HK$2.7 million as at 31 December 2006. The Group's gearing ratio, expressed as a ratio of total long-term debts to shareholders' fund, was about 5.4% as of 31 December 2006 *(2005: about 10.3%)*.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As substantial portion of the Group's operations are in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the Group is not subject to significant exchange risk. No hedging or other alternatives have been implemented.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Ms WONG Ka Wai, Jeanne, Mr. LEUNG Ka Kui, Johnny, Mr. WONG Wai Kwong, David (resigned on 1 March 2007) and Mr. CHAN Siu Wing, Raymond (appointed on 12 February 2007). Four audit committee meetings were held during the financial year 2006.

The Group's results for the year ended 31 December 2006 have been reviewed by the audit committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2006.

Management Discussion and Analysis

COMPETING INTERESTS

As at 31 December 2006, none of the Directors or the management shareholders or any of its respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is responsible for overseeing the management of the business and affairs of the Group with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board currently comprises four executive Directors and three independent non-executive Directors whose biographical details are set out on pages 18 to 19 of this annual report. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to the GEM Listing Rules and the Company considers the independent non-executive Directors to be fully independent.

All Directors have separate and independent access to senior management and the Company Secretary at all times and they are entitled to have full access to Board papers and related materials. Directors are invited to put forward agenda items for Board meetings. Agenda and accompanying Board papers are circulated not less than 3 days before Board meetings to ensure that the directors have sufficient time to review the documents.

The Board held a full board meeting in each quarter. The attendances of the Board meetings for the year ended 31 December 2006 are as follows:

Members	**Attendance**
Mr. Chang Wei Wen *	2/4
Mr. Fung Wing Mou, Bernard **	0/4
Mr. Ho Lut Wa, Anton	4/4
Ms. Leung Quan Yue, Michelle	4/4
Mr. Leung Ka Kui, Johnny	4/4
Ms. Lily Wu	4/4
Mr. Wong Chi Ming **	0/4
Ms. Wong Ka Wai, Jeanne	2/4
Mr. Wong Wai Kwong, David ***	3/4

* *Appointed as non-executive Director on 10 May 2006 and re-designated as executive Director on 12 December 2006.*

** *Resigned on 1 April 2006.*

*** *Resigned on 1 March 2007.*

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman and the Chief Executive Officer of the Company are held by separate individuals to ensure a clear distinction between their responsibilities by means of segregation of duties.

The principal responsibilities of the Chairman, Ms. Lily Wu, include:

(a) providing leadership for the Board;

(b) ensuring that the Board works effectively, discharges its responsibilities and discusses all key issues in a timely manner;

(c) ensuring all Directors are properly briefed on matters to be discussed at Board meetings and providing them with opportunities to express their views at the meetings; and

(d) ensuring all Directors receive adequate, complete and reliable information in a timely manner.

On the other hand, the Chief Executive Officer, Mr. Ho Lut Wa, Anton, is responsible for:

(a) providing leadership for the management;

(b) assuming full accountability to the Board for the day-to-day operations of the Group;

(c) implementing the strategies and policies adopted by the Board;

(d) providing all such information to the Board as is necessary to enable the Board to perform its works effectively;

(e) establishing and maintaining proper internal controls and systems as well as disclosure controls and procedures; and

(f) discharging such duties and authority as may be delegated by the Board.

Corporate Governance Report

REMUNERATION OF DIRECTORS

The emoluments of the Directors are determined by reference to the skill, knowledge and experience of the respective Directors and their involvement in the Company's affairs as well as the prevailing market conditions. Share options may also be granted to the directors as long-term incentive or rewards for their continuous contributions to the Group.

Pursuant to the CG Code, the Company has established a remuneration committee with written terms of reference on 14 November 2005. Members of the remuneration committee are the Chief Executive Officer, Mr. Ho Lut Wa, Anton (chairman of the remuneration committee), an executive Director, Ms. Lily Wu, and three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Mr. Leung Ka Kui, Johnny, Mr. Wong Wai Kwong, David (resigned on 1 March 2007) and Mr. Chan Siu Wing, Raymond (appointed on 12 February 2007).

The principal responsibilities of the remuneration committee include reviewing, considering and approving proposals as well as making recommendations to the Board on the Company's policy and structure relating to the remuneration of Directors and senior management.

Although no formal meeting was held during the financial year, the members regularly discuss matters relating to the emolument policy and long-term incentive schemes of the Company.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's articles of association (the "Articles of Association") to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience.

AUDITORS' REMUNERATION

During the year ended 31 December 2006, the fees paid/payable to the auditors of the Company in respect of audit and non-audit services provided by the auditors of the Company were as follows:

Nature of services	**Amount** HK$'000
Audit services	360
Non-audit services	
Taxation compliance services	18

Corporate Governance Report

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Ms. Wong Ka Wai, Jeanne, Mr. Leung Ka Kui, Johnny, Mr. Wong Wai Kwong, David (resigned on 1 March 2007) and Mr. Chan Siu Wing, Raymond (appointed on 12 February 2007). All of them are independent non-executive Directors. The chairman of the audit committee is Ms. Wong Ka Wai, Jeanne.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	**Attendance**
Mr. Leung Ka Kui, Johnny	4/4
Ms. Wong Ka Wai, Jeanne	2/4
Mr. Wong Wai Kwong, David	3/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

INTERNAL CONTROL

The Board has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by management. Besides, the audit committee of the Company and the Board also performed quarter review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

DIRECTORS' RESPONSIBILITY ON THE ACCOUNTS

The directors of the Company acknowledge their responsibility for preparing the accounts for the year ended 31 December 2006, which were prepared in accordance with statutory requirements and applicable accounting standards.

The reporting responsibilities of the external auditors on the accounts are set out in the "INDEPENDENT AUDITORS' REPORT" on pages 27 to 28.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Lily WU, aged 43, is an executive Director. She was appointed as Director of the Company in June 2005. Ms. Wu has 21 years' experience in the technology sector investment research and industry analysis. She is currently an independent investment analyst on technology companies for private equity firms, and has previously worked as chief financial officer for Coventive Technologies, as a director in equity research for Salomon Smith Barney, and as a vice president in equity research for Bankers Trust.

HO Lut Wa, Anton, aged 40, 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 16 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.

LEUNG Quan Yue, Michelle, aged 41, is an executive Director. She was appointed as Director of the Company in August 2005. Ms. Leung has solid experience in investment and technology. Prior to joining the Group, she served as the chief operating officer and executive director of TOM Group Limited (formerly TOM.COM LIMITED), a company listed on the Stock Exchange for 3 years. Prior to that, she was a Vice-President of News Corporation in New York working on business development in international media markets, and also worked in the Equity Capital Markets Group of Investment Banking at Goldman Sachs in New York and Hong Kong. In addition, she worked at United Nations headquarters in New York and served on UN missions in Cambodia and South Africa. She has an MBA from the Harvard Business School and her undergraduate degrees include a Bachelor of Science degree in Economics from the London School of Economics and an undergraduate diploma in Chinese from Peking University.

CHANG Wei Wen, aged 30, is an executive Director. He was appointed as a non-executive Director of the Company in May 2006 and was re-designated as an executive Director of the Company in December 2006. He is currently worked as an assistant to directors of a Taiwan company, which is principally engaged in international trade and wholesale of information software and electronic materials. Mr. Chang obtained a Bachelor of Organization Management degree from Patten University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Ka Kui Johnny, aged 49, is an independent non-executive Director. He is one of the members of the audit committee and the remuneration committee of the Company. Mr. Leung is a qualified solicitor in Hong Kong, the United Kingdom and Singapore. He has over 22 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 42, is an independent non-executive Director. She is the chairman of the audit committee and one of the members of the remuneration committee of the Company. Ms. Wong has over 20 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 the group finance director of a private group in Hong Kong engages in property investment and textiles manufacturing as well as a company providing consulting and management services. Ms. Wong joined the Company in September 2001.

CHAN Siu Wing, Raymond, aged 42, is an independent non-executive Director. He is one of the members of the audit committee and the remuneration committee of the Company. Mr. Chan has over 17 years' experience in accounting, taxation and finance. He is currently an independent non-executive director of Prosperity Investment Holdings Limited and the financial controller and company secretary of Hua Xia Healthcare Holdings Limited. He was an independent non-executive director of Core Healthcare Investment Holdings Limited and resigned in August 2006. He gained his Bachelor of Economics from University of Sydney, Australia. He is a member of the Hong Kong Securities Institute, a certified public accountant of Hong Kong Institute of Certified Public Accountants, a certified practising accountant of CPA Australia Limited and a founding member of Macau Society of Certified Practising Accountant.

SENIOR MANAGEMENT

LAU Ka Chung, aged 34, is the financial controller and the Company Secretary of the Group. Mr. Lau has over 10 years of experience in auditing, accounting & finance, taxation and corporate compliance. Mr. Lau holds a Master degree in Corporate Governance from the Hong Kong Polytechnic University and 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, as well as an associate member of The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Chartered Secretaries in Hong Kong. Mr. Lau joined the Group in May 2003.

Directors' Report

The Directors have pleasure in submitting the annual report of the Company together with its audited consolidated financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. Details of the principal activities of its subsidiaries are set out in note 12 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 systems.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 29.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report were:

Executive Directors

Lily Wu *(Chairman)*	
Ho Lut Wa, Anton *(Chief Executive Officer)*	
Chang Wei Wen	(appointed as non-executive Director on 10 May 2006 and re-designated to executive Director on 12 December 2006)
Leung Quan Yue, Michelle	
Wong Chi Ming *(former Chairman)*	(resigned on 1 April 2006)
Fung Wing Mou, Bernard	(resigned on 1 April 2006)

Directors' Report

DIRECTORS (CONTINUED)

Independent non-executive Directors

Chan Siu Wing, Raymond	(appointed on 12 February 2007)
Leung Ka Kui, Johnny	
Wong Ka Wai, Jeanne	
Wong Wai Kwong, David	(resigned on 1 March 2007)

In accordance with Article 86(3) of the Articles of Association, Mr. Chang Wei Wen and Mr. Chan Siu Wing, Raymond retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 87 of the Articles of Association, Mr. Leung Ka Kui, Johnny and Ms. Wong Ka Wai, Jeanne retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS' SERVICE CONTRACTS

Each executive Director has entered into a service contract with the Company for an initial term of two years (the service contract for Mr. Ho Lut Wa, Anton commenced on 20 December 2001 and were completed on 19 December 2003, whereas the service contracts for Ms. Lily Wu, Ms. Leung Quan Yue, Michelle and Mr. Chang Wei Wen commenced on 3 June 2005, 22 August 2005 and 12 December 2006 respectively) 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, 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 independent non-executive Director is appointed for an initial term of one year commencing on 20 December 2001 (save and except Mr. Chan Siu Wing, Raymond whose appointment commenced on 12 February 2007) and will continue thereafter unless and until terminated by either the Company or the relevant independent non-executive Director by giving one month written notice and such appointment is subject at all times to the Articles of Association. The appointment of each independent non-executive Director was renewed automatically on 20 December 2007 (save and except Mr. Chan Siu Wing, Raymond whose appointment will be renewed automatically on 12 February 2008).

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' Report

DIRECTORS' INTEREST IN CONTRACTS

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

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the Company's authorised and issued share capital during the year. Details of the Company's share capital and share option schemes are set out in notes 20 and 21 to the financial statements.

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

As at 31 December 2006, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of 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 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in the shares of the Company

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

Directors' Report

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

Director	Date of grant	Outstanding at 31 December 2006	Exercise price per share HK$	Exercisable period
Ho Lut Wa, Anton	6 December 2001	8,000,000	0.282	20 December 2002 – 5 December 2011

Save as disclosed above, as at 31 December 2006, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the following persons/companies had interests 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 the Company or any other member of the Group:

Long positions in the shares of the Company

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

Notes:

1. Mr. Chu Chen Lin is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Best Heaven Limited.

2. i-Concepts Investment Limited is a wholly-owned subsidiary of Dickson Group Holdings Limited, a company listed on the Main Board of the Stock Exchange and Dickson Group Holdings Limited is therefore deemed to be interested in the shares of the Company.

3. i-Concepts Investment Limited has pledged its entire shareholding interest in the Company to Sonic Power Limited, which is wholly owned by Mr. Wong Hong Sing. Therefore each of Sonic Power Limited and Mr. Wong Hon Sing is deemed to be a substantial shareholder of the Company.

4. Giant International Asset Group Limited is 33.33% held by United International Asset Limited which in turn is 100% held by Ms. Tsai Chen Hui Chen.

Save as disclosed above, as at 31 December 2006, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital rights to vote in all circumstances at general meetings of any other member of the Group.

Directors' Report

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	24%
– five largest customers in aggregate	76%

Purchases

– the largest supplier	19%
– five largest suppliers in aggregate	55%

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 Articles of Association, or the laws and regulations of the 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 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

As at 31 December 2006, none of the Directors or the management shareholders or any of their respective associates (as defined under the GEM Listing Rules) of the Company had any interests 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 68 of the annual report.

Directors' 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.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 26 March 2007

Independent Auditors' Report

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 the Cayman Islands with limited liability)

We have audited the financial statements of Cardlink Technology Group Limited ("the Company") set out on pages 29 to 67, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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, 26 March 2007

Consolidated Income Statement

Year ended 31 December 2006

	Note	2006 HK$	2005 HK$
Turnover	2	**73,782,948**	58,810,261
Cost of sales		**(53,522,654)**	(40,645,533)
Gross profit		**20,260,294**	18,164,728
Other revenue	2	**331,864**	805,574
Selling and distribution costs		**(5,320,195)**	(5,353,129)
Administrative expenses		**(13,545,610)**	(14,490,591)
Finance costs	3	**(803,856)**	(490,539)
Profit (Loss) before taxation	3	**922,497**	(1,363,957)
Taxation	6	**(842,793)**	(643,752)
Profit (Loss) for the year		**79,704**	(2,007,709)
Attributable to:			
Shareholders of the Company	7	**79,704**	(2,007,709)
Earnings (loss) per share			
Basic	8	**0.025 cents**	(0.63) cents

Consolidated Balance Sheet

At 31 December 2006

	Note	2006 HK$	2005 HK$
Non-current assets			
Property, plant and equipment	*11*	**27,040,401**	29,018,135
Available-for-sale financial assets	*13*	**2,158,058**	2,158,058
Deferred tax assets	*19*	**–**	493,545
		29,198,459	31,669,738
Current assets			
Inventories	*14*	**7,834,947**	4,097,026
Trade and other receivables	*15*	**26,696,617**	25,639,797
Pledged bank deposits	*16*	**4,545,351**	4,075,395
Bank balances and cash		**8,959,449**	6,001,377
		48,036,364	39,813,595
Current liabilities			
Trade and other payables	*17*	**19,895,769**	13,998,529
Taxation		**24,987**	–
Current portion of interest-bearing borrowings	*18*	**5,337,527**	4,124,193
		25,258,283	18,122,722
Net current assets		**22,778,081**	21,690,873
Total assets less current liabilities		**51,976,540**	53,360,611
Non-current liabilities			
Long term interest-bearing borrowings	*18*	**2,658,723**	4,965,234
Deferred tax liabilities	*19*	**159,582**	–
		2,818,305	4,965,234
NET ASSETS		**49,158,235**	48,395,377
CAPITAL AND RESERVES			
Share capital	*20*	**32,000,000**	32,000,000
Reserves	*22*	**17,158,235**	16,395,377
		49,158,235	48,395,377

Approved and authorised for issue by the board of Directors on 26 March 2007

Lily Wu
Director

Ho Lut Wa, Anton
Director

Balance Sheet

At 31 December 2006

	Note	2006 HK$	2005 HK$
Non-current assets			
Interest in subsidiaries	*12*	**52,279,793**	48,667,378
Current assets			
Deposits, prepayment and other debtors		**161,843**	161,649
Pledged bank deposits	*16*	**4,241,674**	4,075,395
Bank balances and cash		**41,010**	2,618,000
		4,444,527	6,855,044
Current liabilities			
Accrued charges and other creditors		**1,735,427**	215,418
Net current assets		**2,709,100**	6,639,626
NET ASSETS		**54,988,893**	55,307,004
CAPITAL AND RESERVES			
Share capital	*20*	**32,000,000**	32,000,000
Reserves	*22*	**22,988,893**	23,307,004
		54,988,893	55,307,004

Approved and authorised for issue by the board of Directors on 26 March 2007

Lily Wu
Director

Ho Lut Wa, Anton
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

	2006 HK$	2005 HK$
Shareholders' equity as at 1 January	**48,395,377**	50,036,329
Exchange differences on translation of financial statements of overseas subsidiaries	**683,154**	366,757
Profit (Loss) for the year	**79,704**	(2,007,709)
Shareholders' equity as at 31 December	**49,158,235**	48,395,377

Consolidated Cash Flow Statement

Year ended 31 December 2006

	2006 HK$	2005 HK$
OPERATING ACTIVITIES		
Profit (Loss) before taxation	**922,497**	(1,363,957)
Adjustment for:		
Interest income	**(244,880)**	(199,277)
Depreciation	**9,270,627**	6,224,962
Impairment loss on available-for-sale financial assets	**–**	2,300,000
Loss on disposal of property, plant and equipment	**–**	43,303
Finance costs	**803,856**	490,539
Operating profit before changes in working capital	**10,752,100**	7,495,570
Increase in inventories	**(3,737,921)**	(747,277)
Increase in trade and other receivables	**(898,657)**	(3,104,023)
Increase (Decrease) in trade and other payables	**7,055,402**	(1,908,736)
Cash generated from operations	**13,170,924**	1,735,534
Interest paid	**(32,799)**	–
Tax paid	**(164,679)**	–
Net cash from operating activities	**12,973,446**	1,735,534
Investing activities		
Interest received	**244,880**	199,277
Purchase of property, plant and equipment	**(4,238,703)**	(8,113,156)
Proceeds from disposal of property, plant and equipment	**–**	900,943
Net cash used in investing activities	**(3,993,823)**	(7,012,936)
Financing activities		
Interest element of finance leases rental paid	**(771,057)**	(490,539)
Capital element of finance leases rental paid	**(4,804,677)**	(3,671,695)
Net cash used in financing activities	**(5,575,734)**	(4,162,234)
Net increase (decrease) in cash and cash equivalents	**3,403,889**	(9,439,636)
Cash and cash equivalents at 1 January	**10,076,772**	19,453,418
Effect of foreign exchange rate changes	**24,139**	62,990
Cash and cash equivalents at 31 December	**13,504,800**	10,076,772
Analysis of the balances of cash and cash equivalents		
Pledged bank deposits	**4,545,351**	4,075,395
Bank balances and cash	**8,959,449**	6,001,377
	13,504,800	10,076,772

Notes to the Financial Statements

Year ended 31 December 2006

GENERAL

Cardlink Technology Group Limited is a public listed company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Company's registered office and principal place of business of the Company are disclosed in the "Corporate Information" section.

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") 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 (the "GEM Listing Rules").

The preparation of financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

Notes to the Financial Statements

Year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. The new and revised HKFRS that are relevant to the Group's and the Company's operations are as follows:

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement and HKFRS 4 Insurance contracts: Financial guarantee contracts)

Under the amendments, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Details of the financial guarantees currently issued by the Group and the Company are set out in note 27. The fair value of the financial guarantees issued is estimated to be insignificant.

The adoption of the above amendments has had no significant effects on the Group's and the Company's result and financial position for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from or up to their effective dates of acquisition or disposal respectively.

All inter-company transactions and balances within the Group are eliminated on consolidation.

Notes to the Financial Statements

Year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use 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 the shorter of their expected useful lives or the terms of the leases.

Subsidiaries

A subsidiary is an entity in which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less impairment losses. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Notes to the Financial Statements

Year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the income statement. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value, where such information is available, otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

Notes to the Financial Statements

Year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term, highly liquid investments which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, net of bank overdrafts.

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 and on the following bases.

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 the title is passed.

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

Interest income is recognised by applying the effective interest method to the net carrying amount of the financial assets.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

On consolidation, the balance sheet of foreign operations is translated at the rates of exchange ruling at the balance sheet date while the income statement is translated at an average rate for the year. Exchange differences arising from the translation of the financial statements of foreign operations are recognised in a separate component of equity and such equity component is recognised in income statement upon disposal of the foreign operations.

The consolidated financial statements are presented in Hong Kong dollars, which is the primary economic environment in which the Company operates.

Notes to the Financial Statements

Year ended 31 December 2006

1. 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, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method while using first-in, first-out method in previous years. The effect of this change in estimate is not significant to the Group's financial statements. 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.

Impairment of non-financial assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its property, plant and equipment and investment in subsidiaries have suffered an impairment loss or 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 fair value less costs to sell 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. 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 loss 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 loss is recognised as income immediately.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Notes to the Financial Statements

Year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases

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 lease are recognised as assets of the Group at the lower of the fair value of the leased assets 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 charges, 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 obligation for each accounting period.

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

Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the costs 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 defined contribution retirement plans are recognised as expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

Share-based payment transactions

The Company operates a share option scheme for granting share options, for the purpose of providing incentives and rewards, to eligible employees of the Group.

The Group's employees, including Directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. It is recognised, together with a corresponding increase in equity, over the vesting period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the end of the vesting period reflects the extent to which the vesting period has expired and the number of equity instruments that in the opinion of the Directors at that date will ultimately vest.

Notes to the Financial Statements

Year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

The charge for current income tax is based on the results for the year 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 at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The deferred tax liabilities and 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 at 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.

Related parties

A party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Notes to the Financial Statements

Year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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, and corporate and financing expenses.

Notes to the Financial Statements

Year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Future changes in HKFRS

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2006 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for the followings:

	Effective for accounting periods beginning on or after
HKFRS 7, *Financial instruments: disclosures*	1 January 2007
Amendment to HKAS 1, *Presentation of financial statements: capital disclosures*	1 January 2007
HK(IFRIC) 10, *Interim financial reporting and impairment*	1 January 2007

HKFRS 7 and amendment to HKAS 1 may result in new or amended disclosures in the financial statements. In accordance with HK(IFRIC) 10, impairment on available-for-sale financial assets which is carried at cost reported in the interim period shall not be reversed in annual financial statements, irrespective of whether conditions have improved at the year-end balance sheet date.

Notes to the Financial Statements

Year ended 31 December 2006

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	
	2006	2005
	HK$	HK$
Turnover		
Sales of smart cards and plastic cards	**70,588,279**	55,115,237
Sales of smart card application systems	**3,031,450**	3,180,377
Service and other income	**163,219**	514,647
	73,782,948	58,810,261
Other revenue		
Interest income	**244,880**	199,277
Sundry income	**86,984**	606,297
	331,864	805,574
	74,114,812	59,615,835

Notes to the Financial Statements

Year ended 31 December 2006

3. PROFIT (LOSS) BEFORE TAXATION

	The Group	
	2006	2005
	HK$	HK$
This is arrived at after charging:		
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**32,799**	–
Finance charges on obligations under finance leases	**771,057**	490,539
	803,856	490,539
(b) Other items		
Employee benefits expense including Directors' emoluments *(note 4)*	**13,000,225**	12,150,167
Contributions to defined contribution plans *(note 10)*	**897,244**	649,203
	13,897,469	12,799,370
Costs of inventories	**53,522,654**	40,645,533
Auditors' remuneration	**415,664**	345,859
Depreciation	**9,270,627**	6,224,962
Research and development costs	**37,800**	38,535
Impairment losses on available-for-sale financial assets *(note 13)*	**–**	2,300,000
Operating lease payments on premises	**2,498,699**	1,730,085
Bad debts written off	**26,447**	–

Notes to the Financial Statements

Year ended 31 December 2006

4. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and section 161 of the Hong Kong Companies Ordinance, is as follows:

	The Group	
	2006	2005
	HK$	HK$
Fee	**185,323**	150,000
Other emoluments:		
Salaries and other emoluments	**1,282,408**	2,189,580
Contributions to retirement scheme	**41,839**	50,347
	1,509,570	2,389,927

There was no arrangement under which a Director waived or agreed to waive any emoluments during the current and prior years.

Details of share options granted by the Company to its Directors are set out in note 21.

Notes to the Financial Statements

Year ended 31 December 2006

4. DIRECTORS' EMOLUMENTS (CONTINUED)

The remuneration of each Director of the Company for the years ended 31 December 2006 and 2005, disclosed pursuant to the GEM Listing Rules, is set out below:

2006

Name	Fee HK$	Salaries allowances and benefits in kind HK$	Retirement scheme contributions HK$	Total HK$
Executive Directors:				
Ho Lut Wa, Anton	–	812,774	20,839	833,613
Fung Wing Mou, Bernard	–	30,000	1,500	31,500
Lily Wu	–	279,957	12,000	291,957
Wong Chi Ming	–	30,000	1,500	31,500
Leung Quan Yue, Michelle	–	120,000	6,000	126,000
Chang Wei Wen*	–	9,677	–	9,677
	–	1,282,408	41,839	1,324,247
Non-executive Director:				
Chang Wei Wen*	35,323	–	–	35,323
Independent non-executive Directors:				
Wong Ka Wai, Jeanne	50,000	–	–	50,000
Leung Ka Kui, Johnny	50,000	–	–	50,000
Wong Wai Kwong, David	50,000	–	–	50,000
	150,000	–	–	150,000
	185,323	1,282,408	41,839	1,509,570

* *Chang Wei Wen was redesignated from non-executive Director to executive Director with effective from 12 December 2006.*

Notes to the Financial Statements

Year ended 31 December 2006

4. DIRECTORS' EMOLUMENTS (CONTINUED)

2005

Name	Fee HK$	Salaries allowances and benefits in kind HK$	Retirement scheme contributions HK$	Total HK$
Executive Directors:				
Ho Lut Wa, Anton	–	816,000	14,250	830,250
Wong Hon Sing	–	568,710	10,435	579,145
Fung Wing Mou, Bernard	–	480,000	10,500	490,500
Lily Wu	–	161,645	7,000	168,645
Wong Chi Ming		120,000	6,000	126,000
Leung Quan Yue, Michelle	–	43,225	2,162	45,387
	–	2,189,580	50,347	2,239,927
Independent non-executive Directors:				
Wong Ka Wai, Jeanne	50,000	–	–	50,000
Leung Ka Kui, Johnny	50,000	–	–	50,000
Wong Wai Kwong, David	50,000	–	–	50,000
	150,000	–	–	150,000
	150,000	2,189,580	50,347	2,389,927

5. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include one *(2005: two)* Director. The aggregate emoluments of the remaining four *(2005: three)* highest paid individuals are as follows:

	2006 HK$	2005 HK$
Salaries and allowances	**2,026,409**	1,625,824
Contributions to retirement scheme	**47,899**	33,866
	2,074,308	1,659,690

The remuneration of each of these four *(2005: three)* individuals are less than HK$1,000,000 in both years.

Details of share options granted by the Company to employees are set out in note 21.

Notes to the Financial Statements

Year ended 31 December 2006

6. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% *(2005: 17.5%)* on the Group's estimated assessable profits arising from Hong Kong during the year. Taxation for subsidiaries incorporated in the People's Republic of China ("PRC") is charged at the appropriate current rates of taxation ruling in the PRC.

	The Group	
	2006	2005
	HK$	HK$
The charge comprises:		
Current tax		
Hong Kong Profits Tax:		
Current year	**147,760**	–
Underprovision of PRC Enterprise Income Tax in prior year	**41,906**	–
	189,666	–
Deferred tax recognised in the income statement		
Types of temporary differences:		
Depreciation allowances	**(81,416)**	(216,064)
Tax losses	**734,543**	859,816
	653,127	643,752
Total tax charge for the year	**842,793**	643,752

No provision for the PRC enterprise income tax has been made for the current year as the PRC subsidiaries are under tax holiday.

Notes to the Financial Statements

Year ended 31 December 2006

6. TAXATION (CONTINUED)

Reconciliation of tax expense

	2006	2005
	HK$	HK$
Profit (Loss) before taxation	**922,497**	(1,363,957)
Income tax at applicable tax rate of 17.5% *(2005: 17.5%)*	**161,438**	(238,693)
Non-deductible expenses	**2,707,841**	1,069,155
Tax exempt revenue	**(2,062,560)**	(256,576)
Differences in overseas tax rates	**(75,096)**	(27,558)
Unrecognised tax losses	**69,717**	98,483
Unrecognised temporary differences	**797**	(1,059)
Underprovision of overseas tax in prior year	**41,906**	–
Others	**(1,250)**	–
Tax expense for the year	**842,793**	643,752

The applicable tax rate is the Hong Kong profits tax rate of 17.5% *(2005: 17.5%)*.

7. PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit (loss) attributable to shareholders of the Company includes a loss of HK$318,111 *(2005: HK$303,753)* which has been dealt with in the financial statements of the Company for the year ended 31 December 2006.

8. BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit (loss) for the year attributable to shareholders of the Company of HK$79,704 *(2005: a loss of HK$2,007,709)* and the weighted average number of 320,000,000 shares *(2005: 320,000,000 shares)* in issue during the year.

Diluted earnings per share for the year ended 31 December 2006 has not been presented as the exercise price of the share options granted by the Company was higher than the average market price of the Company's shares during the year. Diluted loss per share for the year ended 31 December 2005 had 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 2006

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	
	2006 HK$	2005 HK$	**2006 HK$**	2005 HK$	**2006 HK$**	2005 HK$	**2006 HK$**	2005 HK$
Turnover								
External sales	**70,588,279**	55,115,237	**3,031,450**	3,180,377	**163,219**	514,647	**73,782,948**	58,810,261
Result								
Segment result	**19,623,960**	17,705,758	**473,116**	(55,676)			**20,097,076**	17,650,082
Unallocated operating income and expenses							**(18,370,723)**	(18,523,500)
Finance costs							**(803,856)**	(490,539)
Profit (Loss) before taxation							**922,497**	(1,363,957)
Taxation							**(842,793)**	(643,752)
Profit (Loss) attributable to the shareholders							**79,704**	(2,007,709)
Assets and liabilities								
Segment assets	**51,701,780**	47,136,505	**1,433,877**	533,243			**53,135,657**	47,669,748
Unallocated assets							**24,099,166**	23,813,585
Total assets							**77,234,823**	71,483,333
Segment liabilities	**22,102,149**	14,778,975	**876,933**	184,430			**22,979,082**	14,963,405
Unallocated liabilities							**5,097,506**	8,124,551
Total liabilities							**28,076,588**	23,087,956
Other information								
Capital expenditure incurred during the year	**6,156,674**	16,366,772	**–**	–	**793,529**	1,639,818	**6,950,203**	18,006,590
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	2,300,000	**–**	2,300,000
Depreciation and amortisation for the year	**8,132,621**	5,293,808	**–**	–	**1,138,006**	931,154	**9,270,627**	6,224,962

Notes to the Financial Statements

Year ended 31 December 2006

9. SEGMENT REPORTING (CONTINUED)

Geographical segments:

	Revenue				Assets				Capital expenditure			
	2006 HK$		2005 HK$		2006 HK$		2005 HK$		2006 HK$		2005 HK$	
Hong Kong	5,166,849	7%	6,410,401	11%	27,572,070	36%	28,576,328	40%	51,081	1%	567,358	3%
North Asia	161,324	-	53,779	–	-	-	–	–	-	-	–	–
PRC	24,893,036	34%	23,121,791	39%	49,662,753	64%	42,907,005	60%	6,899,122	99%	17,439,232	97%
South Asia	31,291,110	42%	20,524,388	35%	-	-	–	–	-	-	–	–
Europe	8,849,839	12%	2,788,040	5%	-	-	–	–	-	-	–	–
Others	3,420,790	5%	5,911,862	10%	-	-	–	–	-	-	–	–
	73,782,948	100%	58,810,261	100%	77,234,823	100%	71,483,333	100%	6,950,203	100%	18,006,590	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.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme being operated by the local PRC government. The subsidiaries are required to contribute specified percentage of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year ended 31 December 2006, the aggregate amount of employer's contribution made by the Group is HK$897,244 *(2005: HK$649,203)*.

Notes to the Financial Statements

Year ended 31 December 2006

11. 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 2005	22,300,157	867,555	1,665,202	1,469,298	564,492	26,866,704
Additions during the year	16,366,772	319,511	287,085	915,682	117,540	18,006,590
Disposal	(1,520,000)	–	(8,479)	–	–	(1,528,479)
Currency realignment	50,045	6,347	30,490	22,031	4,823	113,736
At 1 January 2006	37,196,974	1,193,413	1,974,298	2,407,011	686,855	43,458,551
Additions during the year	6,156,674	362,898	183,516	142,529	104,586	6,950,203
Currency realignment	305,538	35,155	86,603	84,956	20,859	533,111
At 31 December 2006	**43,659,186**	**1,591,466**	**2,244,417**	**2,634,496**	**812,300**	**50,941,865**
Accumulated depreciation						
At 1 January 2005	6,739,329	368,483	490,199	864,723	306,625	8,769,359
Charge for the year	5,293,808	184,308	369,668	282,144	95,034	6,224,962
Written back on disposal	(582,667)	–	(1,566)	–	–	(584,233)
Currency realignment	6,980	2,163	10,631	8,934	1,620	30,328
At 1 January 2006	11,457,450	554,954	868,932	1,155,801	403,279	14,440,416
Charge for the year	8,132,621	230,057	401,690	396,580	109,679	9,270,627
Currency realignment	75,029	12,306	49,520	44,204	9,362	190,421
At 31 December 2006	**19,665,100**	**797,317**	**1,320,142**	**1,596,585**	**522,320**	**23,901,464**
Net book value						
At 31 December 2006	**23,994,086**	**794,149**	**924,275**	**1,037,911**	**289,980**	**27,040,401**
At 31 December 2005	25,739,524	638,459	1,105,366	1,251,210	283,576	29,018,135

The net book value of the Group's printing and testing equipment includes an amount of HK$8,865,706 *(2005: HK$11,560,972)* in respect of assets held under finance leases.

Notes to the Financial Statements

Year ended 31 December 2006

12. INTEREST IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$	HK$
Unlisted shares, at cost	**26,954,990**	26,954,990
Due from subsidiaries	**25,324,803**	21,712,388
	52,279,793	48,667,378

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

Notes to the Financial Statements

Year ended 31 December 2006

12. INTEREST IN SUBSIDIARIES (CONTINUED)

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

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-up registered capital	Principal activities
Apex Limited	Hong Kong	HK$10,000 ordinary share	Inactive
Beijing Venus Technology Limited*	PRC	US$500,000 registered capital	Smart card and plastic card manufacturing and sales
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
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
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
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
Topwise Technology (SZ) Limited*	PRC	HK$2,000,000 registered capital	Smart card and plastic card manufacturing and sales

Notes to the Financial Statements

Year ended 31 December 2006

12. INTEREST IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-up registered capital	Principal activities
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

* *Registered as wholly-foreign-owned enterprises under the PRC law.*

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

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2006 HK$	2005 HK$
Unlisted equity securities, at cost	**4,458,058**	4,458,058
Less : Impairment loss	**(2,300,000)**	(2,300,000)
	2,158,058	2,158,058

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

14. INVENTORIES

	The Group	
	2006 HK$	2005 HK$
Raw materials	**4,334,093**	1,674,683
Work-in-progress	**1,369,966**	575,961
Finished goods	**2,130,888**	1,846,382
	7,834,947	4,097,026

Notes to the Financial Statements

Year ended 31 December 2006

15. TRADE AND OTHER RECEIVABLES

	The Group	
	2006	2005
	HK$	HK$
Trade receivables		
From third parties	**23,188,131**	18,751,880
Other receivables		
Deposits, prepayment and other debtors	**3,508,486**	6,887,917
	26,696,617	25,639,797

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	
	2006	2005
	HK$	HK$
Current – 30 days	**20,247,262**	9,554,129
31 – 90 days	**1,354,031**	5,105,198
Over 90 days	**1,586,838**	4,092,553
	23,188,131	18,751,880

16. PLEDGED BANK DEPOSITS

At the balance sheet date, bank deposits of HK$4,241,674 *(2005: HK$4,075,395)* and HK$303,677 *(2005: Nil)* were pledged by the Company and its subsidiaries respectively as collateral under certain finance lease arrangements and bank loan for the purchase of machineries. The total bank deposits pledged by the Group amounted to HK$4,545,351 *(2005: HK$4,075,395)*.

Notes to the Financial Statements

Year ended 31 December 2006

17. TRADE AND OTHER PAYABLES

		The Group	
	Note	**2006**	2005
		HK$	HK$
Trade payables			
To third parties		**15,605,149**	12,325,169
Other payables			
Accrued charges and other creditors		**2,730,620**	1,673,360
Due to a shareholder	*(a)*	**1,560,000**	–
		19,895,769	13,998,529

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

	The Group	
	2006	2005
	HK$	HK$
Current – 30 days	**13,731,531**	5,847,939
31 – 60 days	**624,318**	852,387
61 – 90 days	**370,563**	969,755
Over 90 days	**878,737**	4,655,088
	15,605,149	12,325,169

(a) The amount due was unsecured, interest-free and was subsequently settled.

Notes to the Financial Statements

Year ended 31 December 2006

18. INTEREST-BEARING BORROWINGS

	The Group	
	2006	2005
	HK$	HK$
Secured bank loan	**1,000,000**	–
Obligations under finance leases	**6,996,250**	9,089,427
	7,996,250	9,089,427
Current portion	**5,337,527**	4,124,193
Non-current portion	**2,658,723**	4,965,234
	7,996,250	9,089,427

At the balance sheet date, the bank loan has an effective interest rate of 6.92% per annum and is repayable within one year. The above bank loan was secured by a pledged deposits of HK$303,677 *(note 16)*, corporate guarantee provided by the Company and personal guarantee provided by a shareholder of the Company.

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Amount payable:				
Within one year	**4,763,556**	4,711,577	**4,337,527**	4,124,193
Between one to two years	**2,598,084**	3,732,630	**2,489,339**	3,444,940
Between two to five years	**171,221**	1,569,286	**169,384**	1,520,294
	7,532,861	10,013,493	**6,996,250**	9,089,427
Future finance charges	**(536,611)**	(924,066)	**–**	–
Present value of lease obligations	**6,996,250**	9,089,427	**6,996,250**	9,089,427

The average lease term is three years and the average effective borrowing rate was 8.57% *(2005: 8.25%)*. All leases are repayable in fixed monthly principal instalments plus interest and no arrangements have been entered into for contingent rental payments. The above leases were secured by a pledged deposits of HK$4,241,674 and corporate guarantee provided by the Company.

Notes to the Financial Statements

Year ended 31 December 2006

19. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax position was as follows:

	The Group	
	2006	2005
	HK$	HK$
At beginning of year	**493,545**	1,137,297
Income statement charge *(note 6)*	**(653,127)**	(643,752)
At the balance sheet date	**(159,582)**	493,545

Recognised deferred tax assets (liabilities)

	The Group			
	Assets		Liabilities	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Depreciation allowances	**–**	–	**(159,582)**	(240,998)
Tax losses	**–**	734,543	**–**	–
Deferred tax assets (liabilities)	**–**	734,543	**(159,582)**	(240,998)
Offsetting	**–**	(240,998)	**–**	240,998
Net recognised deferred tax assets	**–**	493,545	**(159,582)**	–

Unrecognised deferred tax

The Group has not recognised deferred tax assets in respect of tax losses of HK$3,744,636 *(2005: HK$3,346,000)*. The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The Company

At the balance sheet date, the Company had no significant unprovided deferred taxation.

Notes to the Financial Statements

Year ended 31 December 2006

20. SHARE CAPITAL

	2006 HK$	2005 HK$
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000,000**	100,000,000
Issued and fully paid:		
320,000,000 ordinary shares of HK$0.10 each	**32,000,000**	32,000,000

21. 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 are 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 employees including any executive directors of any companies in the Group to take up options at HK$1.00 per option to subscribe for shares in the Company 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) shall not exceed 10% of the total number of shares in issue as at the date of listing of shares of the Company.

No share options were granted by the Company under this scheme since the adoption of the scheme.

Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognise and motivate the contribution of employees to the growth of the Group. On 6 December 2001, options to subscribe for an aggregate of 28,800,000 shares at an exercise price of HK$0.282 per share were granted by the Company to the Directors and certain employees of the Group.

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 paid the Company HK$1.00.

During the year, 8,000,000 options granted under the Pre-IPO Share Option Scheme to two ex-Directors were cancelled.

Notes to the Financial Statements

Year ended 31 December 2006

21. SHARE OPTION SCHEME (CONTINUED)

Pre-IPO Share Option Scheme (continued)

The following share options were outstanding under the Pre-IPO Share Option Scheme:

Name of participant	At 1 January 2005	Cancelled during the year	At 31 December 2005	Exercise period of share options	Exercise price of share options HK$
Directors					
Wong Chi Ming	4,000,000	–	4,000,000	20 December 2002 to 5 December 2011	0.282
Ho Lut Wa, Anton	8,000,000	–	8,000,000	20 December 2002 to 5 December 2011	0.282
Wong Hon Sing (resigned on 28 December 2005)	4,000,000	–	4,000,000	20 December 2002 to 5 December 2011	0.282
	16,000,000	–	16,000,000		
Other employees					
In aggregate (including an ex-Director)	6,400,000	(2,400,000)	4,000,000	20 December 2002 to 5 December 2011	0.282
	22,400,000	(2,400,000)	20,000,000		

Name of participant	At 1 January 2006	Cancelled during the year	At 31 December 2006	Exercise period of share options	Exercise price of share options HK$
Directors					
Wong Chi Ming (resigned on 1 April 2006)	4,000,000	(4,000,000)	–	20 December 2002 to 5 December 2011	0.282
Ho Lut Wa, Anton	8,000,000	–	8,000,000	20 December 2002 to 5 December 2011	0.282
Wong Hon Sing (resigned on 28 December 2005)	4,000,000	(4,000,000)	–	20 December 2002 to 5 December 2011	0.282
	16,000,000	(8,000,000)	8,000,000		
Other employees					
In aggregate	4,000,000	–	4,000,000	20 December 2002 to 5 December 2011	0.282
	20,000,000	(8,000,000)	12,000,000		

Notes to the Financial Statements

Year ended 31 December 2006

21. SHARE OPTION SCHEME (CONTINUED)

Pre-IPO Share Option Scheme (continued)

The weighted average remaining contractual life for the share options outstanding at the balance sheet date was 5 years *(2005: 6 years)*.

All options under the Pre-IPO Share Option Scheme were granted before 7 November 2002 and had vested before 1 January 2005. Therefore, the Group does not recognise the fair value of such share options as an expense in accordance with the transitional provisions of HKFRS 2.

22. RESERVES

	Contributed surplus HK$	Other reserves HK$	Exchange difference HK$	Accumulated profits HK$	Total HK$
The Group					
At 1 January 2005	13,985,669	7	(8,407)	4,059,060	18,036,329
Loss for the year	–	–	–	(2,007,709)	(2,007,709)
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	366,757	–	366,757
At 31 December 2005	13,985,669	7	358,350	2,051,351	16,395,377
Profit for the year	–	–	–	79,704	79,704
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	683,154	–	683,154
At 31 December 2006	**13,985,669**	**7**	**1,041,504**	**2,131,055**	**17,158,235**

Notes to the Financial Statements

Year ended 31 December 2006

22. RESERVES (CONTINUED)

	Contributed surplus HK$	Other reserves HK$	Accumulated losses HK$	Total HK$
The Company				
At 1 January 2005	24,190,659	7	(579,909)	23,610,757
Loss for the year	–	–	(303,753)	(303,753)
At 31 December 2005	24,190,659	7	(883,662)	23,307,004
Loss for the year	–	–	(318,111)	(318,111)
At 31 December 2006	**24,190,659**	**7**	**(1,201,773)**	**22,988,893**

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 the PRC subsidiaries.

Certain portion of the retained earnings of the Company's PRC subsidiaries is restricted for distribution. Under the relevant PRC laws and regulations, the Company's wholly-owned PRC subsidiaries are required to appropriate at least 10% of profit after tax to general reserve fund until reaching 50% of the registered capital. The general reserve fund can be applied to set-off accumulated losses and to convert into paid-in capital. Such restricted profits included in the Group's accumulated profits amounted to approximately HK$704,000 *(2005: HK$1,160,000)*.

The contributed surplus of the Company represents the difference between the then combined net assets value 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 Company's contributed surplus and other reserves are available for distribution in the form of bonus shares.

23. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements not provided for in respect of assets with a total capital value at the inception of the lease of HK$2,711,500 *(2005: HK$9,893,434)*.

Notes to the Financial Statements

Year ended 31 December 2006

24. RELATED PARTY TRANSACTIONS

Members of key management during the year comprised only the executive Directors whose remuneration is set out in note 4 to the financial statements. Save as disclosed elsewhere in these financial statements, the Group has no other transactions with related parties during the current year.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, finance lease obligations and cash and short-term deposits. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has no significant interest-bearing assets apart from cash and bank balances. The Group's interest rate risk arising from finance leases and bank loan are disclosed in note 18.

(ii) Foreign exchange risk

The Group's monetary assets and transactions are principally denominated in Hong Kong Dollars ("HKD"), United States Dollars ("USD") and Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from the exposure of HKD against USD and RMB, respectively. Considering that the exchange rate between HKD and USD is pegged, and that there is insignificant fluctuation in the exchange rate between HKD and RMB, the Group believes its exposure to exchange rate risk is minimal. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

Notes to the Financial Statements

Year ended 31 December 2006

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Credit risk

At the balance sheet date, the Group has a certain concentration of credit risk as 29% *(2005: 29%)* and 75% *(2005: 79%)* of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The carrying amounts of trade receivables included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. No other financial assets carry a significant exposure to credit risk.

(iv) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

(v) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006 and 2005.

26. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had total future minimum lease payments in respect of premises under non-cancellable operating leases, which are payable as follows:

	2006 **HK$**	2005 HK$
Within one year	**710,960**	931,648
In the second to fifth years inclusive	**–**	414,942
	710,960	1,346,590

27. CONTINGENT LIABILITIES

The Company and two subsidiaries have provided guarantees of repayment in respect of bank loan and finance leases obligations of other subsidiaries amounting to HK$12,604,934 *(2005:HK$15,628,810)* of which HK$7,996,250 *(2005: HK$9,089,427)* was outstanding as at 31 December 2006.

28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Allowance for inventories

The Company's management reviews the condition of inventories, as stated in note 14 to the financial statements, at each balance sheet date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Impairment of investments, property, plant and equipment and receivables

The Group assesses annually if investment in subsidiaries and property, plant and equipment have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether the investment in available-for-sale financial assets and amounts due from subsidiaries are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these assets and entities would affect the estimation of impairment loss and course the adjustments of their carrying amounts.

29. POST BALANCE SHEET EVENT

On 26 February 2007, the Company entered into a subscription agreement with Golden Dice Co., Ltd. as the subscriber and Mr. Tsai Chi Yuan as the guarantor, pursuant to which, the Company has allotted and issued to Golden Dice Co., Ltd. new ordinary shares of 64,000,000 of HK$0.10 each in the issued share capital of the Company (with an aggregate nominal value of HK$6,400,000) at a subscription price of HK$0.10 per share. The subscription price of HK$0.10 per share represented a premium of approximately 1.01% to the closing price of HK$0.099 per share as quoted on the Stock Exchange on 26 February 2007, being the date of the subscription agreement. As a result of the subscription, the Company received net proceeds of approximately HK$6.1 million, representing a net subscription price of HK$0.095 per subscription share. The proceeds provided additional working capital for the Group and the Directors considered that the subscription would broaden the shareholder base and expand the capital base of the Company. The subscription was completed on 7 March 2007.

Financial Summary

Year ended 31 December 2006

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 2006:

COMBINED RESULTS

	2002 HK$	2003 HK$	2004 HK$	2005 HK$	**2006 HK$**
Turnover	36,268,650	41,187,573	61,293,427	58,810,261	**73,782,948**
Profit (Loss) from operations	(3,987,216)	(9,083,347)	5,113,199	(873,418)	**1,726,353**
Finance costs	–	(147,184)	(215,847)	(490,539)	**(803,856)**
Profit (Loss) before taxation	(3,987,216)	(9,230,531)	4,897,352	(1,363,957)	**922,497**
Taxation	874,111	1,735,318	(206,021)	(643,752)	**(842,793)**
Net profit (loss) attributable to the shareholders	(3,113,105)	(7,495,213)	4,691,331	(2,007,709)	**79,704**
Basic earnings (loss) per share	(0.97) cents	(2.34) cents	1.47 cents	(0.63) cents	**0.025 cents**

COMBINED ASSETS AND LIABILITIES

	2002 HK$	2003 HK$	2004 HK$	2005 HK$	**2006 HK$**
Non-current assets	24,295,495	29,401,408	23,692,700	31,669,738	**29,198,459**
Current assets	33,424,268	31,630,774	45,202,490	39,813,595	**48,036,364**
Current liabilities	4,487,552	12,819,496	17,902,965	18,122,722	**25,258,283**
Non-current liabilities	392,000	2,867,688	955,896	4,965,234	**2,818,305**