CARDLINK TECHNOLOGY GROUP LIMITED
鍇聯科技集團有限公司

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

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 these 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 of the Stock Exchange 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 Exchange. 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.

This announcement, for which the directors (the "Directors") of Cardlink Technology Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Revenue for the year ended 31 December 2007 was 58.8% higher than the previous year, reaching about HK$117,200,000.
- The Group recorded an audited profit attributable to equity holders of about HK$8,000,000 for the year ended 31 December 2007, which was about 100 times over the profits achieved last year.
- In light of the strong financial performance of the Company, the Directors recommend the payment of a final dividend of 1.5 HK cents per share (2006: *Nil*) for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

The board (the "Board") of Directors announces the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2007 together with the comparative figures for the year 2006 as follows:

	Note	**2007** **_HK$_**	2006 *HK$*
Turnover	*4*	**117,199,695**	73,782,948
Cost of sales		**(81,096,683)**	(53,522,654)
Gross profit		**36,103,012**	20,260,294
Other revenue	*4*	**682,383**	331,864
Selling and distribution costs		**(7,900,184)**	(5,320,195)
Administrative expenses		**(19,045,259)**	(13,545,610)
Finance costs	*6*	**(457,885)**	(803,856)
Profit before taxation	*6*	**9,382,067**	922,497
Taxation	*7*	**(1,382,014)**	(842,793)
Profit attributable to equity holders		**8,000,053**	79,704
Dividends	*8*	**6,690,000**	–
Earnings per share	*9*		
– *Basic*		**2.03 cents**	0.025 cents
– *Diluted*		**2.01 cents**	N/A

CONSOLIDATED BALANCE SHEET

	Note	2007 HK$	2006 HK$
Non-current assets			
Property, plant and equipment	10	**38,722,685**	27,040,401
Available-for-sale financial assets	11	**2,158,058**	2,158,058
		40,880,743	29,198,459
Current assets			
Inventories	12	**9,171,072**	7,834,947
Trade and other receivables	13	**30,538,801**	26,696,617
Pledged bank deposits	14	**919,931**	4,545,351
Bank balances and cash		**54,178,958**	8,959,449
Taxation		**122,910**	–
		94,931,672	48,036,364
Current liabilities			
Trade and other payables	15	**21,472,719**	19,895,769
Taxation		**–**	24,987
Current portion of interest-bearing borrowings	16	**8,776,634**	5,337,527
		30,249,353	25,258,283
Net current assets		**64,682,319**	22,778,081
Total assets less current liabilities		**105,563,062**	51,976,540
Non-current liabilities			
Long term interest-bearing borrowings	16	**5,184,794**	2,658,723
Deferred tax liabilities	17	**323,461**	159,582
		5,508,255	2,818,305
NET ASSETS		**100,054,807**	49,158,235
CAPITAL AND RESERVES			
Share capital		**44,600,000**	32,000,000
Reserves	18	**55,454,807**	17,158,235
TOTAL EQUITY		**100,054,807**	49,158,235

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

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").

1. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are effective for the Group's financial statements beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

1.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 20.

1.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Disclosure and Presentation and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements.

1.3 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The Directors are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's consolidated financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 March 2007

[3] Effective for annual periods beginning on or after 1 January 2008

[4] Effective for annual periods beginning on or after 1 July 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.2 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.

2.3 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.

2.4 Subsidiaries

A subsidiary is an entity in which the Company has the power to control 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.

2.5 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognized 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 derecognized 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 amortized 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. Amortized 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 amortization process are recognized in the income statement.

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 recognized 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 amortized 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 recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2.6 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognized less accumulated amortization, where appropriate.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.8 Revenue recognition

Revenue is recognized 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 recognized upon 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 recognized in the period when services are rendered.

Interest income is recognized on a time-proportion basis using the effective interest method to the net carrying amount of the financial assets.

2.9 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 recognized 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 recognized in a separate component of equity and such equity component is recognized 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.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable 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. Net realizable 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.

2.11 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 recognized 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 recognized 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 recognized in prior years. Reversal of impairment loss is recognized as income immediately.

2.12 Provisions

A provision is recognized 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 recognized 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 recognized as a separate asset but only when the reimbursement is virtually certain.

2.13 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 recognized 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. Lease incentives received are recognized in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2.14 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 recognized as expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

2.15 Share-based payment transactions

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognized in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognized as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve. If vesting periods or other vesting conditions apply, the expense is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognized in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained profits.

2.16 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 recognized 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 utilized.

2.17 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.

2.18 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories and receivables and mainly exclude corporate assets and available-for-sale investment. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to intangible assets and property, plant and equipment.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) 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 realization 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.

(ii) Allowance for inventories

The Company's management reviews the condition of inventories, as stated in note 12, 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.

(iii) 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 cause the adjustments of their carrying amounts.

4. TURNOVER AND REVENUE

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

Turnover and revenue recognized by category are as follows:

	2007	2006
	HK$	*HK$*
Turnover		
Sales of smart cards and plastic cards	**114,963,986**	70,588,279
Sales of smart card application systems	**2,165,209**	3,031,450
Service and other income	**70,500**	163,219
	117,199,695	73,782,948
Other revenue		
Interest income	**488,787**	244,880
Sundry income	**172,451**	86,984
Gain on disposal of property, plant and equipment	**21,145**	–
	682,383	331,864
	117,882,078	74,114,812

5. 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	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Turnover								
External sales	**114,963,986**	70,588,279	**2,165,209**	3,031,450	**70,500**	163,219	**117,199,695**	73,782,948
Result								
Segment result	**27,870,055**	14,303,765	**262,273**	473,116			**28,132,328**	14,776,881
Unallocated operating income and expenses							**(18,292,376)**	(13,050,528)
Finance costs							**(457,885)**	(803,856)
Profit before taxation							**9,382,067**	922,497
Taxation							**(1,382,014)**	(842,793)
Profit attributable to the equity holders							**8,000,053**	79,704
Assets and liabilities								
Segment assets	**63,228,090**	51,701,780	**2,629,485**	1,433,877			**65,857,575**	53,135,657
Unallocated assets							**69,954,840**	24,099,166
Total assets							**135,812,415**	77,234,823
Segment liabilities	**21,781,419**	22,102,149	**1,704,749**	876,933			**23,486,168**	22,979,082
Unallocated liabilities							**12,271,440**	5,097,506
Total liabilities							**35,757,608**	28,076,588
Other information								
Capital expenditure incurred during the year	**17,340,916**	6,156,674	**–**	–	**3,237,115**	793,529	**20,578,031**	6,950,203
Depreciation for the year	**8,887,764**	8,132,621	**–**	–	**1,263,869**	1,138,006	**10,151,633**	9,270,627

Geographical segments:

	Revenue				Assets				Capital expenditure			
	2007		2006		**2007**		2006		**2007**		2006	
	HK$		*HK$*		***HK$***		*HK$*		***HK$***		*HK$*	
Hong Kong	**3,303,290**	**3%**	5,166,849	7%	**74,013,231**	**55%**	27,572,070	36%	**9,547,775**	**46%**	51,081	1%
North Asia	**43,466**	**–**	161,324	–	**–**	**–**	–	–	**–**	**–**	–	–
PRC	**36,311,003**	**31%**	24,893,036	34%	**61,799,184**	**45%**	49,662,753	64%	**11,030,256**	**54%**	6,899,122	99%
South Asia	**39,482,424**	**33%**	31,291,110	42%	**–**	**–**	–	–	**–**	**–**	–	–
Europe	**32,321,545**	**28%**	8,849,839	12%	**–**	**–**	–	–	**–**	**–**	–	–
Others	**5,737,967**	**5%**	3,420,790	5%	**–**	**–**	–	–	**–**	**–**	–	–
	117,199,695	**100%**	73,782,948	100%	**135,812,415**	**100%**	77,234,823	100%	**20,578,031**	**100%**	6,950,203	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.

6. PROFIT BEFORE TAXATION

	2007	2006
	HK$	*HK$*
This is arrived at after charging:		
(a) Financial costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**313,804**	32,799
Finance charges on obligations under finance leases	**144,081**	771,057
	457,885	803,856
(b) Other items		
Employee benefits expense including Directors' emoluments	**19,367,385**	13,000,225
Contributions to defined contribution plans	**1,573,700**	897,244
	20,941,085	13,897,469
Costs of inventories	**81,096,683**	53,522,654
Auditors' remuneration	**397,300**	415,664
Depreciation	**10,151,633**	9,270,627
Research and development costs	**597,275**	37,800
Operating lease payments on premises	**2,981,194**	2,498,699
Bad debts written off	**36,000**	26,447
Provision for inventories	**392,546**	–

7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% *(2006: 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.

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

Beijing Venus Technology Limited is exempted from EIT for three years ending 31 December 2005 and was granted a 50% reduction in EIT for the period from 1 January 2006 to 31 December 2008.

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

	2007	2006
	HK$	*HK$*
The charge comprises:		
Current tax		
Hong Kong Profits Tax:		
Current year	**760,913**	147,760
PRC Enterprise Income Tax	**457,222**	–
Underprovision of PRC Enterprise Income Tax in prior year	**–**	41,906
	1,218,135	189,666
Deferred tax recognized in the income statement		
Types of temporary differences:		
Depreciation allowances	**163,879**	(81,416)
Tax losses	**–**	734,543
	163,879	653,127
Total tax charge for the year	**1,382,014**	842,793

Reconciliation of tax expense

	2007	2006
	HK$	*HK$*
Profit before taxation	**9,382,067**	922,497
Income tax at applicable tax rate of 17.5% *(2006: 17.5%)*	**1,641,863**	161,438
Non-deductible expenses	**1,250,433**	2,707,841
Tax exempt revenue	**(1,265,864)**	(2,062,560)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(311,512)**	(75,096)
Unrecognized tax losses	**66,518**	69,717
Unrecognized temporary differences	**576**	797
Underprovision of overseas tax in prior year	**–**	41,906
Others	**–**	(1,250)
Tax expense for the year	**1,382,014**	842,793

The applicable tax rate is the Hong Kong profits tax rate of 17.5% *(2006: 17.5%)*.

8. DIVIDENDS

Dividends attributable to the year

	2007	2006
	HK$	*HK$*
Proposed final dividend of 1.5 HK cents per share *(2006: Nil)*	**6,690,000**	–

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$8,000,053 *(2006: HK$79,704)* and on the weighted average of 393,989,041 *(2006: 320,000,000)* ordinary shares in issue during the year.

(b) Diluted earnings per share

For the year ended 31 December 2007, the calculation of diluted earnings per share is based on profit attributable to equity holders of the Company of HK$8,000,053 and the weighted average number of ordinary shares of 398,096,153 calculated as follows:

Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares at 31 December 2007	393,989,041
Effect of deemed issue of shares under the Company's share option scheme	4,107,112
Weighted average number of ordinary shares (diluted) at 31 December 2007	398,096,153

For the year ended 31 December 2006, no diluted earnings per share has been presented because the exercise price of the Company's share options was higher than the average market price per share for that year.

10. PROPERTY, PLANT AND EQUIPMENT

	Printing and testing equipment *HK$*	Office equipment *HK$*	Furniture and fixtures *HK$*	Leasehold improvement *HK$*	Motor vehicles *HK$*	Total *HK$*
Cost						
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 1 January 2007	43,659,186	1,591,466	2,244,417	2,634,496	812,300	50,941,865
Additions during the year	17,340,916	396,615	132,380	2,266,137	441,983	20,578,031
Disposal	–	–	–	–	(115,652)	(115,652)
Currency realignment	1,158,816	90,928	170,948	328,494	63,336	1,812,522
At 31 December 2007	**62,158,918**	**2,079,009**	**2,547,745**	**5,229,127**	**1,201,967**	**73,216,766**
Accumulated depreciation						
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 1 January 2007	19,665,100	797,317	1,320,142	1,596,585	522,320	23,901,464
Charge for the year	8,887,764	283,189	435,349	437,276	108,055	10,151,633
Written back on disposal	–	–	–	–	(111,797)	(111,797)
Currency realignment	259,351	37,480	124,439	114,390	17,121	552,781
At 31 December 2007	**28,812,215**	**1,117,986**	**1,879,930**	**2,148,251**	**535,699**	**34,494,081**
Net book value						
At 31 December 2007	**33,346,703**	**961,023**	**667,815**	**3,080,876**	**666,268**	**38,722,685**
At 31 December 2006	23,994,086	794,149	924,275	1,037,911	289,980	27,040,401

The net book value of the Group's printing and testing equipment includes an amount of HK$Nil *(2006: HK$8,865,706)* in respect of assets held under finance leases.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2006
	HK$	*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.

12. INVENTORIES

	2007	2006
	HK$	*HK$*
Raw materials	**4,664,731**	4,334,093
Work-in-progress	**1,165,073**	1,369,966
Finished goods	**3,341,268**	2,130,888
	9,171,072	7,834,947

All inventories, excluding those fully provided for with nil carrying value, are stated at cost.

13. TRADE AND OTHER RECEIVABLES

	2007	2006
	HK$	*HK$*
Trade receivables		
From third parties	**23,961,217**	23,188,131
Other receivables		
Deposits, prepayment and other debtors	**6,577,584**	3,508,486
	30,538,801	26,696,617

The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days. The ageing analysis of trade receivables that are not impaired is as follows:

	2007	2006
	HK$	*HK$*
Neither past due nor impaired	**14,057,222**	14,974,247
1 – 30 days past due	**5,500,197**	5,273,015
31 – 90 days past due	**782,152**	1,354,031
Over 90 days past due	**3,621,646**	1,586,838
	23,961,217	23,188,131

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

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

14. PLEDGED BANK DEPOSITS

At the balance sheet date, bank deposits of HK$Nil *(2006: HK$4,241,674)* and HK$919,931 *(2006: HK$303,677)* were pledged by the Company and its subsidiaries respectively as collateral under certain finance lease arrangements for the purchase of machineries and bank loans for general working capital. The total bank deposits pledged by the Group amounted to HK$919,931 *(2006: HK$4,545,351)*.

15. TRADE AND OTHER PAYABLES

	Note	**2007** ***HK$***	2006 *HK$*
Trade payables			
To third parties		**16,558,682**	15,605,149
Other payables			
Accrued charges and other creditors		**4,914,037**	2,730,620
Due to a shareholder	(a)	**–**	1,560,000
		21,472,719	19,895,769

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

	2007 ***HK$***	2006 *HK$*
Current – 30 days	**11,510,464**	13,731,531
31 – 60 days	**926,636**	624,318
61 – 90 days	**207,622**	370,563
Over 90 days	**3,913,960**	878,737
	16,558,682	15,605,149

(a) The amount due was unsecured, interest-free and was fully settled during the year.

16. INTEREST-BEARING BORROWINGS

	2007 ***HK$***	2006 *HK$*
Secured bank loans	**13,961,428**	1,000,000
Obligations under finance leases	**–**	6,996,250
	13,961,428	7,996,250
Current portion	**8,776,634**	5,337,527
Non-current portion	**5,184,794**	2,658,723
	13,961,428	7,996,250

At the balance sheet date, the bank loans have an effective interest rate of 5.5% per annum and are repayable ranging from four months to three years. The above bank loans were secured by pledged deposits of HK$919,931 *(2006: HK$303,677)* (note 14), pledged plant and machinery of HK$10,903,487 *(2006: HK$Nil)* (note 19), corporate guarantee provided by the Company and its subsidiaries and personal guarantee provided by an equity holder of the Company.

	Minimum lease payments		**Present value of minimum lease payments**	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Amount payable:				
Within one year	–	4,763,556	–	4,337,527
Between one to two years	–	2,598,084	–	2,489,339
Between two to five years	–	171,221	–	169,384
	–	7,532,861	–	6,996,250
Future finance charges	–	(536,611)	–	–
Present value of lease obligations	–	6,996,250	–	6,996,250

The average lease term is three years and the average effective borrowing rate was 9% *(2006: 8.57%)*. All leases are repayable in fixed monthly principal installments plus interest and no arrangements have been entered into for contingent rental payments. The above leases were secured by pledged deposits of HK$Nil *(2006: HK$4,241,674)* and corporate guarantees provided by the Company and its subsidiaries. The above finance leases were fully settled during the year.

17. DEFERRED TAXATION

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

	2007	2006
	HK$	*HK$*
At beginning of year	**(159,582)**	493,545
Income statement charge *(note 7)*	**(163,879)**	(653,127)
At the balance sheet date	**(323,461)**	(159,582)

Recognized deferred tax liabilities

	2007	2006
	HK$	*HK$*
Depreciation allowances	**(323,461)**	(159,582)

Unrecognized deferred tax

The Group has not recognized deferred tax assets in respect of tax losses of HK$4,141,819 *(2006: HK$3,744,636)*. The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize benefits therefrom.

18. RESERVES

	Contributed surplus *HK$*	Other reserves *HK$*	Exchange difference *HK$*	Accumulated profits *HK$*	Total *HK$*
At 1 January 2006	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 statement of overseas subsidiaries	–	–	683,154	–	683,154
At 31 December 2006	13,985,669	7	1,041,504	2,131,055	17,158,235
Profit for the year	–	–	–	8,000,053	8,000,053
Issue of new shares upon exercise of share options	2,184,000	–	–	–	2,184,000
Issue of new shares on placement	28,500,000	–	–	–	28,500,000
Shares issue expenses	(2,114,500)	–	–	–	(2,114,500)
Exchange difference on translation of financial statement of overseas subsidiaries	–	–	1,727,019	–	1,727,019
At 31 December 2007 *(Note)*	**42,555,169**	**7**	**2,768,523**	**10,131,108**	**55,454,807**

Note: A proposed final dividend of HK$6,690,000 was included in the balance at 31 December 2007.

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 reorganization 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$1,765,721 *(2006: HK$704,000)*.

19. PLEDGE OF ASSETS

The carrying amounts of the following assets have been pledged to secure general banking facilities granted to the Group:

	2007 *HK$*	2006 *HK$*
Plant and machinery	**10,903,487**	–
Pledged deposits	**919,931**	4,545,351
	11,823,418	4,545,351

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

	2007	2006
	HK$	*HK$*
Financial assets		
Loans and receivables (include cash and cash equivalents)		
Trade and other receivables	**30,538,801**	26,696,617
Pledged deposits	**919,931**	4,545,351
Bank balances and cash	**54,178,958**	8,959,449
	85,637,690	40,201,417
Available-for-sale financial assets		
Available-for-sale investments	**2,158,058**	2,158,058
Financial liabilities		
Amortized cost		
Trade and other payables	**21,472,719**	19,895,769
Short-term bank borrowings – secured	**6,000,000**	1,000,000
Long-term bank borrowings – secured	**7,961,428**	–
Obligations under finance leases	**–**	6,996,250
	35,434,147	27,892,019

20.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

In light of the simplicity of the operations, the risk management of the Group is carried out by the Board of Directors directly. The Board discusses both formally and informally principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, deposits with banks and trade and other receivables.

Cash and cash equivalents and deposits with banks are normally placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Credit evaluations are performed on customers requiring a credit over a certain amount including assessing the customer's creditworthiness and financial standing.

The general credit terms allowed range from 30 to 90 days. As at the balance sheet date, the Group does not hold any collateral from customers and the Group has a certain concentration of credit risk as 24% *(2006: 24%)* of the total trade and other receivables was due from the Group's largest customer and 82% from the five largest customers of the Group as at 31 December 2007 *(2006: 76%)*.

Hence, the maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents, deposits with banks and trade and other receivables in the consolidated balance sheet. The Group has no other financial assets which carrying significant exposure to credit risk. The Group does not provide any other guarantees which would expose the Group to credit risk.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months *HK$*	**Between 3 and 6 months** *HK$*	**Between 6 and 12 months** *HK$*	**Between 1 and 2 years** *HK$*	**Between 2 and 3 years** *HK$*
At 31 December 2007					
Trade and other payables	21,472,719	–	–	–	–
Short-term bank borrowings	–	5,000,000	1,000,000	–	–
Long-term bank borrowings	680,833	690,042	1,405,759	2,928,037	2,256,757
At 31 December 2006					
Trade and other payables	18,335,769	–	–	–	–
Short-term bank borrowings	–	–	1,000,000	–	–
Obligations under finance leases	1,050,362	1,072,637	2,214,528	2,405,942	252,781
Due to shareholders	1,560,000	–	–	–	–

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings and finance lease arrangements. Borrowings and finance lease arrangements issued at variable rates expose the Group to cash flow interest rate risk. In accordance with the terms of the bank borrowings, the interest rate will be adjusted should the Hong Kong dollars prime rate be changed. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2007, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and accumulated profits by approximately HK$206,000 *(2006: HK$28,000)*. The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

Foreign exchange risk

The Group operates mainly in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi and the United States dollars. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group does not hedge its foreign currency risks with United States dollars as the rate of exchange between Hong Kong dollars and the United States dollars is controlled within a tight range. Permanent changes in foreign exchange rates would have an impact on consolidated financial statements.

At 31 December 2007, if Hong Kong dollar had weakened/strengthened by 10% against the Chinese Renminbi with all other variables held constant, post-tax profit for the year would have been HK$683 (2006: HK$46,613 higher/lower) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Chinese Renminbi-denominated trade and other receivables and bank balances and cash. The Group does not hedge its foreign currency risks with Chinese Renminbi. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is defined and calculated by the Group as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2007 was 10.3% compared to 10.4% at 31 December 2006.

Fair value estimation

(i) *Fair values*

All significant financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006.

(ii) *Fair values estimation*

Interest-bearing short-term and long-term loans and finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Trade receivables and payables

The carrying values less impairment provision of trade receivables and payables are a reasonable approximation of their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Cardlink continues to meet its challenges this year with record breaking results. The Group posted a profit attributable to equity holders of HK$8 million on the back of HK$117.2 million revenue for the financial year ended 31 December 2007.

The Group's growth momentum, which started to build up in the latter half of 2006, continued to gather and drive further gains this year. The Group's revenue for the year grew 58.8% to a record high of HK$117.2 million, including the sales of smart cards and plastic cards, and the provision of smart card application systems and service and other income, which accounted for about 98.1% and about 1.9%, respectively, of the Group revenue.

In terms of geographic breakdown, the South Asia market is still the largest single market for the Group, accounted for about HK$39.5 million, or about 33% of the total revenue. The PRC market ranked the second largest market for the Group, which amounted to about HK$36.3 million, or about 31%, of the total revenue. The Europe market also experienced a strong growth this year, up from about HK$8.8 million in 2006 to about HK$32.3 million in 2007, and accounted for about 28% of the Group's revenue. Other geographic areas also showed encouraging results and offer promising opportunities for growth in the future.

Financial Review

Revenue for the year ended 31 December 2007 was about HK$117.2 million, representing an increase of about HK$43.4 million, or about 58.8%, as compared to the last year of about HK$73.8 million. Profit attributable to equity holders for the year was about HK$8 million.

Gross profit margin for the year ended 31 December 2007 increased to about 30.8% as compared with about 27.5% in last year. It was due to higher value sales mix, as well as better utilization of the Group's assets. During the year under review, cost of sales increased from about HK$53.5 million in 2006 to about HK$81.1 million in 2007, representing an increase of about 51.5%, the increase was in line with the corresponding increase in revenue of 58.8%.

Selling and distribution costs recorded an increase of about HK$2.6 million, or about 48.5%, from about HK$5.3 million in 2006 to about HK$7.9 million in 2007. The increase was also in line with the corresponding increase in revenue of 58.8%, and was associated with the increases in such selling expenses like freight charges, transportation costs and staff commission. Administrative expenses also recorded an increase of about HK$5.5 million, or about 40.6%, from about HK$13.5 million in 2006 to about HK$19 million in 2007. The increase in administrative expenses was primarily attributable to the increase in professional fee, staff costs and various expenses as a result of continued expansion of the Group.

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the year under review, the Group financed its business operations with cash revenue generated from operating activities, bank loans, finance lease arrangements and net proceeds from placing of new shares. The liquidity and financial resources of the Group gradually improved as compared to previous years. As at 31 December 2007, the Group had cash and bank balances of about HK$55.1 million and secured bank loans of HK$14 million.

During the year under review, the Group had redeemed all the finance lease arrangements which were used for financing the acquisition of certain printing machinery and personalization equipment for the production lines in the PRC. As at 31 December 2007, the Group had secured bank loans used for its working capital, and are bearing an effective interest rate of 5.5% per annum and repayable ranging from four months to three years.

As at 31 December 2007, the Group had current assets of about HK$94.9 million and current liabilities of about HK$30.2 million. The current ratio, expressed as current assets over current liabilities, was maintained at the strong level of about 3.1.

EMPLOYEE INFORMATION

As at 31 December 2007, the Group employed a total of 647 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$20.9 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 11 under "Notes to the Financial Statements", there were no other significant investments for the year ended 31 December 2007.

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 2007.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

Saved as disclosed in the announcements of the Company dated 9 November 2007 and 14 December 2007, there were no future plans for material investments or capital assets as at 31 December 2007.

SEGMENTAL INFORMATION

Details have been set out in note 5 under "Notes to the Financial Statements" and are further elaborated under "Business Review" and "Financial Review" of this section.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

At 31 December 2007, a bank deposit and certain plant and machinery with the carrying amounts of HK$919,931 and HK$10,903,487 respectively were pledged by the Company's subsidiaries as collaterals to secure general banking facilities granted to the Group.

The Company and a subsidiary have provided guarantees of repayment in respect of bank loans and finance leases obligations of other subsidiaries amounting to HK$17,000,000 *(2006: HK$12,604,934)* of which HK$13,961,428 *(2006: HK$7,996,250)* was outstanding as at 31 December 2007.

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total bank borrowings to total tangible assets of the Group, was 10.3% as at 31 December 2007 *(2006: 10.4%)*. Accordingly, the financial position of the Group has remained very liquid.

FINAL DIVIDEND

In light of the strong financial performance of the Company, the Directors recommend the payment of a final dividend of 1.5 HK cents per share *(2006: Nil)* for the year ended 31 December 2007.

Upon approval by the shareholders, the final dividend will be paid on or about 16 May 2008 to shareholders whose names appear on the register of members of the Company on 9 May 2008.

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, and Mr. Chan Siu Wing, Raymond. Four audit committee meetings were held during the financial year 2007.

The Group's results for the year ended 31 December 2007 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 Practice set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2007.

COMPETING INTERESTS

As at 31 December 2007, 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 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the shareholders of the Company will be held at 10:00 a.m., on Friday, 9 May 2008, at Unit 302, 3rd Floor, Seapower Centre, 73 Lei Muk Road, Kwai Chung, New Territories, Hong Kong and the notice of AGM will be published and despatched to the shareholders in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 6 May 2008 to Friday, 9 May 2008, both days inclusive, during which period no transfer of the shares of the Company will be registered. All share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Monday, 5 May 2008.

By order of the Board
Lily Wu
Chairman

Hong Kong, 17 March 2008

As at the date of this announcement, the Board comprises four executive Directors, Ms. Lily Wu (Chairman), Mr. Ho Lut Wa, Anton (Chief Executive Officer), Ms. Leung Quan Yue, Michelle, Mr. Chang Wei Wen, and three independent non-executive Directors, Ms. Wong Ka Wai, Jeanne, Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond.

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