



# CARDLINK TECHNOLOGY GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

## FIRST QUARTERLY RESULTS REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2002

**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 Stock Exchange. GEM-listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “[www.hkgem.com](http://www.hkgem.com)” in order to obtain up-to-date information on GEM-listed issuers.

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*This report, 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 of Hong Kong Limited (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 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

- The unaudited turnover of the Group for the three months period ended 31 March 2002 was HK\$6,010,783.
- The directors do not recommend the payment of an interim dividend for the period ended 31 March 2002.

## UNAUDITED FIRST QUARTERLY RESULTS

The board of directors (the “Directors”) of Cardlink Technology Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2002 together with the comparative figures for the corresponding period in 2001 as follows:

		Unaudited	
		Three months ended 31 March	
		2002	2001
	Note	HK\$	HK\$
Turnover	2	<b>6,010,783</b>	9,541,113
Cost of Sales		<u><b>(3,151,459)</b></u>	<u>(5,871,471)</u>
Gross profit		<b>2,859,324</b>	3,669,642
Other revenue		<b>138,624</b>	21,191
Selling and distribution costs		<b>(723,764)</b>	(416,335)
Administrative expenses		<u><b>(2,022,140)</b></u>	<u>(1,571,109)</u>
Profit from operation		<b>252,044</b>	1,703,389
Finance costs		—	(313,370)
Share of result of associate		<u>—</u>	<u>(127)</u>
Profit before taxation		<b>252,044</b>	1,389,892
Taxation	3	<u><b>(50,000)</b></u>	<u>(200,000)</u>
Profit attributable to the shareholders		<u><b>202,044</b></u>	<u>1,189,892</u>
Earnings per share — Basic	5	<u><b>0.06 cents</b></u>	<u>0.50 cents</u>

Notes:

## 1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands under the Companies Law of Cayman Islands as an exempted company with limited liability on 6 September 2001. Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the Group structure in connection with the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 6 December 2001. Further details of the Reorganisation are set out in the Company’s prospectus dated 13 December 2001 (the “Prospectus”). The shares of the Company were listed on GEM of the Stock Exchange on 20 December 2001.

The unaudited consolidated results have been prepared using the merger basis of accounting as if the existing Group’s structure had been in place throughout the period from 1 January 2001 to 31 March 2002.

The unaudited consolidated results of the Group have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

## 2. Turnover

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

Turnover recognised by category is as follows:

	Unaudited Three months ended 31 March	
	2002	2001
	HK\$	HK\$
<b>Turnover</b>		
Sales of smart cards and plastic cards	3,766,819	8,312,915
Sales of smart card application systems	2,208,654	858,143
Service and other income	35,310	370,055
	<u>6,010,783</u>	<u>9,541,113</u>

## 3. Taxation

	Unaudited Three months ended 31 March	
	2002	2001
	HK\$	HK\$
Provision for Hong Kong Profits Tax attributable to the Company and its subsidiaries	<u>50,000</u>	<u>200,000</u>

Hong Kong Profits Tax has been provided at the rate of 16% (2001: 16%) on the Group’s estimated assessable profit for the period.

The Group has no significant unprovided deferred tax for the period.

## 4. Dividend

The Directors do not recommend the payment of an interim dividend for the period (2001: Nil).

## 5. Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2002 is based on the unaudited profit attributable to the shareholders of HK\$202,044 (2001: HK\$1,189,892) and the weighted average number of 320,000,000 (2001: 240,000,000) shares in issue on the assumption that the Reorganisation had been effective on 1 January 2001.

Diluted earnings per share is not presented as the Company has no dilutive potential ordinary shares as at 31 March 2001 and 2002.

## 6. Movement in reserves

Other than the net profits for the three months ended 31 March 2002 and 2001, there was no movement to or from reserves of the Group during both periods.

# BUSINESS REVIEW AND PROSPECTS

## (a) Business Review

During the period under review, the first quarterly result of the Group in 2002 has been inevitably affected by the global economic downturn. The unaudited turnover of the Group was HK\$6.01 million for the three months ended 31 March 2002 as compared to HK\$9.54 million for the same period of 2001. The decrease in the turnover during the period was mainly attributable to the decrease in sales of smart cards and plastic cards.

The global economic downturn had a severe impact on the telecommunications industry. The overall telecommunications market remained restrain and the global demand for telecommunications products was sluggish. Customers were more cautious in placing orders for telecommunications products. The negative trends of the telecommunications products have affected the demand for smart card manufacturing and printing business.

With the Group's business strategy to focus on the sales of smart card application systems which has a higher profit margin than the sales of smart cards and plastic cards, the sales of the smart card application system during the period recorded an increase in turnover of 1.57 times of the sales for the same period of 2001. Accordingly, the negative effect of the decrease in turnover of the smart card printing has been slightly diluted by the improved sales performance of the smart card application systems. Despite of the decrease in turnover in the amount of HK\$3.53 million as compared to the same period of 2001, the gross profit margin of the Group for the period under review was increased to 47.57% as compared to 38.46% for the same period of 2001.

The listing of the Company on the GEM market has paved the way for business expansion, the cost base structure of the Group was enlarged during the period under review. More resources were employed to promote the Group's products/application system with a view to expanding its customers base, especially in the PRC and South East Asia markets. There has been a substantial rise of expenditure in staff cost and overseas traveling expenses during the period under review. The selling and distribution costs and administrative expenses recorded an increase by 73% and 28% as compared to the same period of 2001. The impact from the increased expenditure in line with the Group's expansion plan and has contributed to the downturn in profit. The unaudited profit attributable to shareholders for the three month period was HK\$0.2 million as compared to the profit of HK\$1.19 million for the same period of 2001.

The Group has total current assets of HK\$49.92 million and current liabilities of HK\$1.99 million as at 31 March 2002. As at 31 March 2002, the Group has a bank balance of HK\$38.78 million of which bank deposits of HK\$2.03 million were pledged as collateral for the short term banking facilities of a subsidiary of the Company. The Group has no outstanding borrowings as at 31 March 2002. The Group will apply the proceeds from the initial public offering amounted of HK\$29 million to finance its expansion plan such as the upgrading and enhancement of the products, the research and development program, the establishment of additional production line and setting up of sales representative office in the PRC.

**(b) Prospects**

With the China's entry into the World Trade Organization and Beijing to host the Olympic Games in year 2008, China's economic activities stay heightened with local and foreign companies exploring this huge potential market for new business opportunities. In order to exploit and tap into this enormous market, efforts are made to collaborate with potential strategic joint venture partners in the PRC to enhance the Group's sales and marketing activities in the PRC. Active progress is underway in the set up of Representative Office in Shenzhen and in negotiation with potential strategic partners.

Meanwhile, the Group will continue its dedication to further diversify its customer base, new business negotiations are being concluded in North and South Asia Region.

The notable performance of the smart card application systems, which is designed and developed by our internal Research & Development team has proved that the Group has adopted the correct business direction and strategy. The Group will continue to focus on the development of this business segment.

Looking ahead, the management believes that the PRC and South East Asia markets have possessed enormous business opportunities. The management will ensure that every effort is made to maintain its leading status and competitiveness in the local as well as the PRC and South East Asia markets so as to expand its customer base to bring significant prospects to the Group.

**DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2002 (2001: Nil).

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

### (a) Share Capital

As at 31 March 2002, the interests of the Directors in share capital of the Company or any associated corporation as recorded in the register of the Company required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by directors of listed issuer as referred to in rule 5.40 of the GEM Listing Rules are set out below:

Name of Director	Note	Number of Shares held				Total
		Personal Interest	Family Interest	Corporate Interest	Other Interest	
WONG Hon Sing	1	—	—	153,300,000	—	153,300,000
WONG Chi Ming		6,132,000	—	—	—	6,132,000
HO Lut Wa, Anton		6,132,000	—	—	—	6,132,000
WONG Ka Chu		3,504,000	—	—	—	3,504,000

Note 1: 153,300,000 Shares are held by Carkey Limited which is wholly owned by Mr. WONG Hon Sing.

### (b) Share Options

On 6 December 2001, two share option schemes of the Company were approved by shareholders of the Company, namely, the Pre-IPO Share Option Scheme and the Share Option Scheme (both terms as defined in the Prospectus). The Summary of the terms of the two schemes has been set out in Appendix IV of the Prospectus under the section headed "Share Option Schemes".

As at 31 March 2002, no option has been granted or agreed to be granted pursuant to the Share Option Scheme.

The Company had granted a total of 28,800,000 options under the Pre-IPO Share Option Scheme to its executive directors and employees.

As at 31 March 2002, details of the share options outstanding are as follows:

Name of Director	Date of Grant	Number of options outstanding as at 31 March 2002	Exercise price of options HK\$
WONG Hon Sing	6 December 2001	4,000,000	0.282
WONG Chi Ming	6 December 2001	4,000,000	0.282
HO Lut Wa, Anton	6 December 2001	8,000,000	0.282
WONG Ka Chu	6 December 2001	4,000,000	0.282
LEI Heong Man	6 December 2001	4,000,000	0.282

2 employees of the Group have been granted 4,800,000 options on 6 December 2001 at an exercise price of HK\$0.282.

The exercise period for all the options granted under the Pre-IPO Share Option Scheme shall commence on the date falling 12 months after the Listing Date (20 December 2001) and end on 5 December 2011 (both date inclusive).

Save as disclosed above, at no time during the three months ended 31 March 2002 were rights to acquire benefits by means of the acquisition of shares in or debentures of the company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 March 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

<b>Name of shareholder</b>	<i>Note</i>	<b>Number of shares held</b>	<b>Percentage of interests</b>
Carkey Limited	(i)	153,300,000	47.9
Wong Hon Sing	(i)	153,300,000	47.9
i-Concepts Investment Limited	(ii)	58,400,000	18.3
Dickson Group Holdings Limited	(ii)	58,400,000	18.3

*Notes:*

- (i) Mr. Wong Hon Sing is deemed to be a substantial shareholder of the Company by reason of his 100% beneficial interest in Carkey Limited. The Shareholding is duplicated in the directors' and chief executive's interests disclosed above.
- (ii) i-Concepts Investment Limited is a wholly owned subsidiary of Dickson Group Holdings Limited, a listed company on the main board of the Stock Exchange and Dickson Group Holdings Limited is therefore deemed to be interested in the Shares

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee comprised two independent non-executive Directors, namely, Ms WONG Ka Wai, Jeanne and Mr. LEUNG Ka Kui, Johnny.

The primary duties of the audit committee are to review the Company's annual report and accounts, half year reports and quarterly reports and to provide advice and comments thereon to the board of Directors.

The Group's unaudited results for the three months ended 31 March 2002 have been reviewed by the audit committee.

## **COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES**

During the three months ended 31 March 2002, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

## **COMPETING INTERESTS**

As at 31 March 2002, none of the directors or the management shareholders (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.

## **INTEREST OF SPONSOR**

As notified by Tai Fook Capital Limited (the “Sponsor”), the Company’s sponsor, neither the Sponsor nor its directors or employees or associates (as referred in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company as at 31 March, 2002.

Pursuant to the agreement dated 13 December, 2001 entered in between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company’s retained sponsor for the period from 20 December 2001, the date on which the shares of the Company are listed, until 31 December 2003.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the three months ended 31 March 2002, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Company’s shares during the period.

By Order of the Board  
**WONG Chi Ming**  
*Chairman*

Hong Kong, 10 May 2002