



CARDLINK TECHNOLOGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2003

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “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.

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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 Growth Enterprise Market 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 2003 was HK\$10.6 million.
- The directors do not recommend the payment of an interim dividend for the period ended 31 March 2003.

UNAUDITED FIRST QUARTERLY RESULTS

The board of directors (the “Directors”) of Cardlink Technology Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2003 together with the comparative figures for the corresponding period in 2002 as follows:

		Unaudited	
		Three months ended 31 March	
		2003	2002
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	2	10,583,469	6,010,783
Cost of sales		(9,499,002)	(3,151,459)
Gross profit		1,084,467	2,859,324
Other revenue		567,121	138,624
Selling and distribution costs		(794,619)	(723,764)
Administrative expenses		(3,072,804)	(2,022,140)
(Loss) Profit from operation		(2,215,835)	252,044
Finance costs		–	–
(Loss) Profit from ordinary activities before taxation		(2,215,835)	252,044
Taxation	3	–	(50,000)
Net (loss) profit for the period		(2,215,835)	202,044
(Loss) Earnings per share – Basic	5	(0.69) cents	0.06 cents

Notes:

1. Basis of presentation

The unaudited consolidated results have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of the Rules governing the Listing of Securities on the GEM of the Stock Exchange.

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	
	2003	2002
	HK\$	HK\$
Sales of smart cards and plastic cards	8,017,899	3,766,819
Sales of smart card application systems	2,540,221	2,208,654
Service and other income	25,349	35,310
	<u>10,583,469</u>	<u>6,010,783</u>

3. Taxation

	Unaudited	
	Three months ended 31 March	
	2003	2002
	HK\$	HK\$
Provision for Hong Kong Profits Tax attributable to the Company and its subsidiaries	<u>-</u>	<u>50,000</u>

No provision for Hong Kong Profits Tax has been provided as the Group had no estimated assessable profits for the period. In prior period, Hong Kong Profits Tax has been provided at the rate of 16% on the Group's estimated assessable profits.

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 (2002: Nil).

5. (Loss) Earnings per share

The calculation of basic loss per share for the three months ended 31 March 2003 is based on the unaudited loss of HK\$2,215,835 (2002: unaudited profit of HK\$202,044) and the weighted average number of 320,000,000 (2002: 320,000,000) shares in issue.

Diluted earnings per share is not presented as the Company has no dilutive potential ordinary shares as at 31 March 2002 and 2003.

6. Movements in reserves

	Unaudited	
	Three months ended 31 March	
	2003	2002
	HK\$	HK\$
Exchange reserve		
Balance brought forward	(8,407)	–
Addition	(245)	–
	<hr/>	<hr/>
Balance carried forward	(8,652)	–
	<hr/> <hr/>	<hr/> <hr/>
Retained profits		
Balance brought forward	6,862,942	9,976,047
(Loss) Profit for the period	(2,215,835)	202,044
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Balance carried forward	4,647,107	10,178,091
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The exchange reserve represents the exchange differences on translation of the financial statements of PRC subsidiaries.

Apart from the above stated, there was no other movement to or from reserves of the Group during both periods.

BUSINESS REVIEW AND PROSPECTS

(a) Business Review

For the three months ended 31 March 2003, the unaudited turnover of the Group was HK\$10.6 million as compared to HK\$6 million for the same period in 2002. The increase in turnover was mainly attributable to sales generated from the new customers in Asia Pacific, as a result of the Group's proactive sales and marketing activities in the past year.

However, due to the negative market sentiment and keen competition in the smart card industry, the business of the higher margined smart card application systems was greatly affected and the margin of smart card manufacturing has also been squeezed substantially. While the smart card manufacturing business continued to be the Group's major source of income, the gross profit margin of the Group for the period under review decreased to 10.2% as compared to 47.6% for the same period in 2002.

The exploration of new markets and the set up of a new production plant in Beijing contributed to the increase in expenditure for staff cost and overseas traveling expenses. Selling and distribution costs and administrative expenses also increased by 10% and 52% respectively over the same period in 2002. The unaudited loss for the period under review was HK\$2.2 million as compared to the unaudited profit of HK\$0.2 million for the same period in 2002.

Total current assets and current liabilities of the Group amounted to HK\$28.7 million and HK\$4.9 million respectively as at 31 March 2003. The Group has a bank balance of HK\$10.4 million. Among which, bank deposits of HK\$1 million were pledged as collateral for short term banking facilities of a subsidiary of the Company as at 31 March 2003. The Group has no outstanding borrowings as at 31 March 2003.

In order to capture the expanding demand of smart card in the PRC market and provide fast turnaround services to customers in Northern China, the Group has established a highly automated smart card manufacturing plant in Beijing. Trial production has been completed and successful. The monthly production capacity of the production plant in Beijing reached 2 million pieces by the end of the first quarter in 2003.

As one of the leading smart card manufacturers in the region, the Group always stays abreast of market trends and customer needs by strengthening its research and development capability and expanding its production facilities. During the period under review, the new production plant in Beijing had completed the trial production. Moreover, the Group acquired certain technological know-hows during the period under review, including related patents for smart card manufacturing, in order to speed up the pace of research and development and meet different market needs.

During the period under review, the Group received another accreditation for its renowned quality. The Group's subsidiary, Intercard Limited, obtained the certification for its operation of a Quality Management system, which complies with the requirements of BS EN ISO9001:2000 for the design and manufacture of printed plastic card.

(b) Prospects

With the stable GDP growth in the PRC, it is expected that the smart card application will become more and more common. The Group will also explore more smart card business opportunities through its strategic partners in the PRC. It is expected that revenue from PRC customers will be driven in the second quarter this year. At the same time, the Group will speed up its sales and marketing efforts in Asia Pacific and further diversify its customer base. All in all, the Group aims at supplying card body with unsurpassed quality to its customers worldwide.

In order to stay competitive in the midst of the sluggish market sentiment, the Group will continue to expand its production capacity, in particular, the highly automated production facility in Beijing and be prepared to achieve its business rebound upon the economic revival.

By applying its stringent cost control measures, the Group will streamline its business operations and improve efficiency. With improved efficiency in the business operation, better customer relations, increasing production capacity and a professional research and development team, the Group will overcome the challenges right now and pave the way for its future success.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2003 (2002: Nil).

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

(a) Share Capital

As at 31 March 2003, 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	<i>1</i>	–	–	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 of the Company (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 2003, 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 2003, details of the share options outstanding are as follows:

Name of Director	Date of Grant	Number of options outstanding as at 31 March 2003	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 2003 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 2003, 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:

Name of shareholder	<i>Note</i>	Number of shares held	Percentage of interests
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 2003 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 2003, 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 2003, 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 2003.

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 2003, 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, 9 May 2003