



# CARDLINK TECHNOLOGY GROUP LIMITED

## 鐳聯科技集團有限公司

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

**(Stock Code: 8066)**

### **FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2005**

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

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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 ended 31 March 2005 was approximately HK\$17,443,000, representing an 33% increase as compared with that of the corresponding period in 2004.
- The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2005.

## 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 (together, the “Group”) for the three months ended 31 March 2005 together with the comparative figures for the corresponding period in 2004 as follows.

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2005</b>	2004
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Turnover</b>	2	<b>17,442,633</b>	13,153,753
Cost of sales		<b>(12,434,468)</b>	(11,179,430)
Gross profit		<b>5,008,165</b>	1,974,323
Other revenue		<b>16,372</b>	131,649
Selling and distribution costs		<b>(1,462,960)</b>	(833,950)
Administrative expenses		<b>(2,662,929)</b>	(3,106,100)
<b>Profit (Loss) from operation</b>		<b>898,648</b>	(1,834,078)
Finance costs		<b>(85,361)</b>	(63,401)
<b>Profit (Loss) from ordinary activities before taxation</b>		<b>813,287</b>	(1,897,479)
Taxation	3	<b>—</b>	—
<b>Profit (Loss) attributable to shareholders</b>		<b>813,287</b>	(1,897,479)
<b>Basic earnings (losses) per share</b>	5	<b>0.25 cents</b>	(0.59) cents

Notes:

### 1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of 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	
	2005 HK\$	2004 HK\$
Sales of smart cards and plastic cards	16,618,904	12,371,043
Sales of smart card application systems	776,076	675,577
Service and other income	47,653	107,133
	<u>17,442,633</u>	<u>13,153,753</u>

### 3. TAXATION

	Unaudited Three months ended 31 March	
	2005 HK\$	2004 HK\$
Provision for Hong Kong Profits Tax attributable to the Company and its subsidiaries	<u>-</u>	<u>-</u>

The applicable tax rate is the Hong Kong profits tax rate of 17.5% (2004: 17.5%).

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

#### 4. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2005.

#### 5. BASIC EARNINGS (LOSSES) PER SHARE

The calculation of basic earnings/(losses) per share for the three months ended 31 March 2005 is based on the unaudited profit attributable to shareholders of HK\$813,287 (2004: loss of HK\$1,897,479) and the weighted average number of 320,000,000 (2004: 320,000,000) shares in issue.

Diluted earnings per share for the three months ended 31 March 2005 has not been presented as the exercise price of the share options granted by the Company was higher than the average market price for shares during the period.

#### 6. MOVEMENT IN RESERVES

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Exchange reserve</b>		
Balance brought forward	(8,407)	(8,407)
Addition	—	—
	<u>(8,407)</u>	<u>(8,407)</u>
Balance carried forward	<u>(8,407)</u>	<u>(8,407)</u>
<b>Retained profits</b>		
Balance brought forward	4,059,060	(632,271)
Profit (Loss) for the period	813,287	(1,897,479)
	<u>4,872,347</u>	<u>(2,529,750)</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

For the three months ended 31 March 2005, the unaudited turnover of the Group was approximately HK\$17.5 million as compared to approximately HK\$13.2 million for the same period in 2004. Of the total turnover amount for the period, HK\$16.6 million or 95% was generated from manufacturing and sales of smart cards and plastic cards and HK\$0.8 million or 4% from the sale of smart card application systems. The gross profit margin was 29%, representing an increase of 14% from 15% for the same period in 2004. Profit attributable to shareholders was approximately HK\$0.8 million (2004: loss of approximately HK\$1.9 million) for the period under review.

The increase in turnover was primarily the result of higher volume, partly offset by declining average selling prices, and also the increase in market share in smart cards and plastic cards in Asia Pacific market.

The selling and distribution costs recorded an increase of approximately 75% while the administrative expenses dropped by approximately 14% as compared to the same period in 2004. The increase in selling and distribution costs was due to the increase in the direct costs associated with the Group's increased selling activities, such as delivery and transportation costs. On the other hand, the decline in administrative expenses was caused by the decrease of various expenses in general, which reflected the effective cost control of the Group during the period.

Total current assets and current liabilities of the Group amounted to HK\$44.5 million and HK\$17.3 million respectively as at 31 March 2005. The Group has cash and cash equivalents of HK\$12.5 million as at 31 March 2005, among which, bank deposits of approximately HK\$2.9 million were pledged as collateral for finance lease arrangements in respect of certain machineries purchased by the subsidiaries of the Company. As at 31 March 2005, the Group has outstanding finance leases payable of approximately HK\$5.8 million.

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

As at 31 March 2005, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in the Shares of the Company

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

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

### (b) Rights to subscribe for shares in the Company

As at 31 March 2005, the Directors had personal interest in share options to subscribe for shares in the Company pursuant to the Company's Pre-IPO Share Option Scheme and the details as follows:

Director	Date of grant	Outstanding at 31 March 2005	Exercise price per share HK\$	Exercisable period
WONG Hon Sing	6 December 2001	4,000,000	0.282	20 December 2002 – 5 December 2011
WONG Chi Ming	6 December 2001	4,000,000	0.282	20 December 2002 – 5 December 2011
HO Lut Wa, Anton	6 December 2001	8,000,000	0.282	20 December 2002 – 5 December 2011

Save as disclosed above, as at 31 March 2005, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 March 2005, the following persons/companies had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of the Group:

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

*Notes:*

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

Save as disclosed above, as at 31 March 2005, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital rights to vote in all circumstances at general meetings of any other member of the Group.

On 12 April 2005, the controlling shareholder of the Company, Carkey Limited, disposed of 50,000,000 shares of the Company off the market to an independent third party, Best Heaven Limited. Please refer to the announcement of the Company dated 12 April 2005 for further details of the disposal.

#### **AUDIT COMMITTEE**

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

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 2005 have been reviewed by the audit committee.

#### **COMPETING INTERESTS**

As at 31 March 2005, 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the three months ended 31 March 2005, 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, 13 May 2005