



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)

THIRD QUARTERLY REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

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 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 and the nine months ended 30 September 2005 were approximately HK\$12,826,000 and HK\$45,078,000, representing a decrease of 13% and an increase of 7% respectively as compared with those of the corresponding periods in 2004.
- The Directors do not recommend any payment of an interim dividend for the nine months ended 30 September 2005.

UNAUDITED THIRD 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 and the nine months ended 30 September 2005 together with the comparative figures for the corresponding periods in 2004 as follows.

		Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2005	2004	2005	2004
	Note	HK\$	HK\$	HK\$	HK\$
Turnover	2	12,826,270	14,812,941	45,077,796	42,311,654
Cost of sales		(8,437,167)	(9,257,039)	(30,508,654)	(30,686,863)
Gross profit		4,389,103	5,555,902	14,569,142	11,624,791
Other revenue		187,369	76,548	247,716	213,480
Selling and distribution costs		(1,269,958)	(1,058,364)	(4,076,718)	(2,921,665)
Administrative expenses		(3,081,585)	(2,866,525)	(8,351,371)	(7,955,976)
Profit from operation		224,929	1,707,561	2,388,769	960,630
Finance costs		(123,630)	(50,774)	(293,109)	(171,599)
Profit from ordinary activities before taxation		101,299	1,656,787	2,095,660	789,031
Taxation	3	–	–	(300,000)	–
Profit attributable to shareholders		101,299	1,656,787	1,795,660	789,031
Basic earnings per share	5	0.03 cents	0.52 cents	0.56 cents	0.25 cents

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The adoption of these HKFRSs has no material impact on the Group’s results of operations and financial position.

The Group’s unaudited results for the three months and the nine months ended 30 September 2005 have been reviewed by the audit committee.

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 follow:

	Unaudited			
	Three months ended 30 September 2005		Nine months ended 30 September 2005	
	2005	2004	2005	2004
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Sales of smart cards and plastic cards	12,214,612	13,389,018	42,154,399	40,002,462
Sales of smart card application systems	567,817	748,444	2,766,741	1,406,581
Others	43,841	675,479	156,656	902,611
	<u>12,826,270</u>	<u>14,812,941</u>	<u>45,077,796</u>	<u>42,311,654</u>

3. TAXATION

	Unaudited		Unaudited	
	Three months ended 30 September 2005		Nine months ended 30 September 2005	
	2005	2004	2005	2004
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Deferred taxation in relating to the reversal of tax losses	-	-	300,000	-
	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>-</u>

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 (2004: Nil). 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 is 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 any payment of an interim dividend for the nine months ended 30 September 2005 (2004: NIL).

5. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and the nine months ended 30 September 2005 is based on the unaudited profit attributable to shareholders for the three months and the nine months ended 30 September 2005 of HK\$101,299 and HK\$1,795,660 (2004: HK\$1,656,787 and HK\$789,031 respectively) and the weighted average number of 320,000,000 shares in issue (2004: 320,000,000 shares).

Diluted earnings per share for the three months and the nine months ended 30 September 2005 have 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 relevant periods.

6. MOVEMENT IN RESERVES

	Contributed surplus <i>HK\$</i>	Other reserves <i>HK\$</i>	Exchange difference <i>HK\$</i>	Accumulated profits <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2004	13,985,669	7	(8,407)	(632,271)	13,344,998
Profit for the period	–	–	–	789,031	789,031
At 30 September 2004	<u>13,985,669</u>	<u>7</u>	<u>(8,407)</u>	<u>156,760</u>	<u>14,134,029</u>
At 1 January 2005	13,985,669	7	(8,407)	4,059,060	18,036,329
Profit for the period	–	–	–	1,795,660	1,795,660
Exchange difference	–	–	379,687	–	379,687
At 30 September 2005	<u>13,985,669</u>	<u>7</u>	<u>371,280</u>	<u>5,854,720</u>	<u>20,211,676</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the nine months ended 30 September 2005, the unaudited turnover of the Group was approximately HK\$45,078,000 as compared to approximately HK\$42,312,000 for the same period in 2004. Of the total turnover amount for the period, HK\$42,154,000 or 93% was generated from manufacturing and sales of smart cards and plastic cards and HK\$2,767,000 or 6% from the sale of smart card application systems. The gross profit margin was approximately 32%, representing an increase of 5% from 27% for the same period in 2004. Profit attributable to shareholders was approximately HK\$1,796,000 (2004: HK\$789,000) for the period under review.

The increase in turnover for the nine months ended 30 September 2005 was primarily the result of a higher sales volume, partly offset by the declining average selling prices, and also the increase in market share in smart cards and plastic cards in Asia Pacific market.

For the three months ended 30 September 2005, the unaudited turnover of the Group was approximately HK\$12,826,000, representing a decrease of approximately HK\$1,987,000, or approximately 13% as compared with that of the corresponding period in 2004. The decrease in turnover during this quarter was mainly due to the price wars initiated by the competitors of our customers in the market to compete for the market share. As a consequence there was inevitably a loss of orders by our customers which in turn unfavorably affected the Group's turnover.

For the nine months ended 30 September 2005, the selling and distribution costs and administrative expenses increased by approximately 40% and 5% respectively, as compared to those of 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 sales commission, freight charges and transportation costs. On the other hand, the increase in administrative expenses was caused by the increase in various expenses in general.

Total current assets and current liabilities of the Group amounted to HK\$41,154,000 and HK\$16,999,000 respectively as at 30 September 2005. The Group has cash and cash equivalents of HK\$14,200,000 as at 30 September 2005, among which, bank deposits of approximately HK\$4,040,000 were pledged as collateral for finance lease arrangements in respect of certain machinery purchased by the subsidiaries of the Company. As at 30 September 2005, the Group has outstanding finance leases payable of approximately HK\$10,320,000.

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

As at 30 September 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 SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in the Shares of the Company

Name of Director	Number of Shares				Total	Percentage of interests
	Personal Interest	Family Interest	Corporate Interest	Other Interest		
Wong Hon Sing	–	–	36,300,000	–	36,300,000	11.35
Wong Chi Ming	6,132,000	–	–	–	6,132,000	1.91
Ho Lut Wa, Anton	6,132,000	–	–	–	6,132,000	1.91

Note: Mr. Wong Hon Sing is deemed to be interested in 36,300,000 shares of the Company by virtue of his interest in Carkey Limited, which is wholly-owned by him.

(ii) Rights to subscribe for Shares in the Company

As at 30 September 2005, personal interest of the Directors in share options to subscribe for shares in the Company pursuant to the Company's Pre-IPO Share Option Scheme were as follows:

Director	Date of grant	Outstanding at 30 September 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 30 September 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 Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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:

Name of shareholders	<i>Note</i>	Number of shares held	Percentage of interests
Best Heaven Limited	<i>1</i>	83,300,000	26.03
Chu Chen-lin	<i>1</i>	83,300,000	26.03
i-Concepts Investment Limited	<i>2</i>	58,400,000	18.25
Dickson Group Holdings Limited	<i>2</i>	58,400,000	18.25
Carkey Limited	<i>3</i>	36,300,000	11.35
Wong Hon Sing	<i>3</i>	36,300,000	11.35
Giant International Asset Group Limited	<i>4</i>	22,500,000	7.03
United International Asset Limited	<i>4</i>	22,500,000	7.03
Chen Hui Chen	<i>4</i>	22,500,000	7.03

Notes:

1. Mr. Chu Chen-lin is deemed to be a substantial shareholder of the Company by reason of his 100% beneficial interest in Best Heaven Limited.
2. i-Concepts Investment Limited is a wholly owned subsidiary of Dickson Group Holdings Limited, a listed company on the main board of the Stock Exchange and Dickson Group Holdings Limited is therefore deemed to be interested in the 58,400,000 shares of the Company.
3. 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 also shown in the directors' and chief executive's interests disclosed above.
4. Giant International Asset Group Limited is 33.33% held by United International Asset Limited which in turn is 100% held by Chen Hui Chen.

Save as disclosed above, as at 30 September 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.

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.

COMPETING INTERESTS

As at 30 September 2005, none of the directors or the management shareholders or any of their respective associates (as defined under the GEM Listing Rules) of the Company had any 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 nine months ended 30 September 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
WONG Chi Ming
Chairman

Hong Kong, 14 November 2005