



CARDLINK TECHNOLOGY GROUP LIMITED

錯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 2008

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. GEM-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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 (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 2008 was about HK\$35,029,000, representing an increase of about 20.1% as compared with that of the corresponding period in 2007.
- The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2008.

UNAUDITED FIRST QUARTERLY RESULTS

The board (the “Board”) of Directors announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended 31 March	
	<i>Note</i>	2008 <i>HK\$</i>	2007 <i>HK\$</i>
Turnover	2	35,028,858	29,158,136
Cost of sales		(23,417,371)	(20,266,141)
Gross profit		11,611,487	8,891,995
Other revenue		206,772	79,837
Selling and distribution costs		(1,797,652)	(2,057,870)
Administrative expenses		(5,873,655)	(4,374,427)
Finance costs		(110,474)	(170,073)
Profit before taxation		4,036,478	2,369,462
Taxation	3	(830,990)	(350,000)
Profit attributable to equity holders		3,205,488	2,019,462
Basic earnings per share	5	0.72 cents	0.60 cents

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated results 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 applicable disclosure provisions of the GEM Listing Rules.

The Group’s unaudited results for the three months ended 31 March 2008 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 follows:

	Unaudited Three months ended 31 March	
	2008	2007
	HK\$	HK\$
Sales of smart cards and plastic cards	34,944,001	28,314,205
Sales of smart card application systems	50,060	838,956
Service and other income	34,797	4,975
	<hr/>	<hr/>
	35,028,858	29,158,136
	<hr/> <hr/>	<hr/> <hr/>

3. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the Group’s estimated assessable profits arising from Hong Kong during the period. 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.

**Unaudited
Three months ended
31 March**

	2008	2007
	<i>HK\$</i>	<i>HK\$</i>

The charge comprises:

Current tax

Hong Kong Profit Tax	421,000	350,000
PRC Enterprise Income Tax	<u>367,532</u>	<u>–</u>
	788,532	350,000

Deferred tax recognized in the income statement

Types of temporary differences:

Depreciation allowances	<u>42,458</u>	<u>–</u>
	830,990	350,000

4. DIVIDEND

The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2008 (2007: NIL).

5. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2008 is based on the unaudited profit attributable to equity holders of the Company for the three months ended 31 March 2008 of about HK\$3,205,488 (three months ended 31 March 2007: about HK\$2,019,462) and the weighted average number of 446,000,000 shares (three months ended 31 March 2007: 337,777,778 shares) in issue during the period.

Diluted earnings per share for the three months ended 31 March 2008 has not been presented as the Company has no dilutive potential ordinary shares for the three months ended 31 March 2008. Diluted earnings per share for the three months ended 31 March 2007 had not been presented as the exercise price of the share options granted by the Company was higher than the average market price of the Company's shares during the period.

6. 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 2007	13,985,669	7	1,041,504	2,131,055	17,158,235
Share issue expenses	(149,500)	–	–	–	(149,500)
Profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,019,462</u>	<u>2,019,462</u>
At 31 March 2007	<u>13,836,169</u>	<u>7</u>	<u>1,041,504</u>	<u>4,150,517</u>	<u>19,028,197</u>
At 1 January 2008	42,555,169	7	2,768,523	10,131,108	55,454,807
Profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,205,488</u>	<u>3,205,488</u>
Exchange difference on translation of financial statements of overseas subsidiaries	<u>–</u>	<u>–</u>	<u>942,741</u>	<u>–</u>	<u>942,741</u>
At 31 March 2008	<u>42,555,169</u>	<u>7</u>	<u>3,711,264</u>	<u>13,336,596</u>	<u>59,603,036</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the three months ended 31 March 2008, the Group showed consistent strong growth in sales since the latter half of 2006. The unaudited turnover of the Group during the period was about HK\$35 million, representing an increase of about HK\$5.8 million, or about 20.1% as compared to the corresponding period in 2007 of about HK\$29.2 million. Turnover also increased by about 13% as compared to the fourth quarter of 2007. The increase was due to the increase in the market sales of the Group's product.

During the period under review, the manufacturing and sales of smart cards and plastic cards continued to be the main focus of the Group's business. Out of the total turnover for the period, about HK\$34.9 million or about 99.7% was generated from the manufacturing and sales of smart cards and plastic cards, and about HK\$0.1 million or about 0.3% was generated from the sale of smart card application systems. Profit attributable to equity holders for the three months ended 31 March 2008 was about HK\$3.2 million (*three months ended 31 March 2007: about HK\$2 million*).

For the three months ended 31 March 2008, gross profit margin was about 33.1%, representing an increase of about 2.6% from approximately 30.5% for the same period in 2007. The increase was due to higher value sales mix, as well as better utilization of the Group's assets.

For the three months ended 31 March 2008, the selling and distribution costs recorded a decrease of about 12.6%, from about HK\$2.1 million for the three months ended 31 March 2007 to about HK\$1.8 million for the same period in 2008. The decrease in selling and distribution costs was due to the savings in freight charges. On the other hand, administrative expenses increased by about 34.3% from about HK\$4.4 million for the three months ended 31 March 2007, to about HK\$5.9 million for the same period in 2008. The increase was mainly due to increase in professional fees, staff costs and various general administrative expenses etc.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the period under review, the Group financed its business operations with cash revenue generated from operating activities and bank loans. As at 31 March 2008, the Group had cash and bank balances of about HK\$49.7 million and secured bank loans of HK\$8.3 million. The bank loans are bearing an effective interest rate of 5.5% per annum and repayable ranging from four months to three years.

As at 31 March 2008, the Group had current assets of about HK\$97.7 million and current liabilities of about HK\$28.4 million. The current ratio, expressed as current assets over current liabilities, was maintained at the strong level of about 3.4.

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

As at 31 March 2008, 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 Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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		
Ho Lut Wa, Anton	4,037,000	–	–	–	4,037,000	0.91

Save as disclosed above, as at 31 March 2008, 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 2008, 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	Note	Number of shares held	Percentage of interests
Best Heaven Limited	1	83,300,000	18.68
Mr. Chu Chen Lin	1	83,300,000	18.68
Golden Dice Co., Ltd.	2	81,400,000	18.25
Mr. Tsai Chi Yuan	2	81,400,000	18.25
Giant International Asset Group Limited	3	22,500,000	5.04
United International Asset Limited	3	22,500,000	5.04
Ms. Tsai Chen Hui Chen	3	22,500,000	5.04

Notes:

1. Mr. Chu Chen Lin is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Best Heaven Limited.
2. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd.
3. Giant International Asset Group Limited is 33.33% held by United International Asset Limited which in turn is 100% held by Ms. Tsai Chen Hui Chen.

Save as disclosed above, as at 31 March 2008, 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.

CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in such code of conduct throughout the three months ended 31 March 2008.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. 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. The chairman of the audit committee is Ms. Wong Ka Wai, Jeanne.

COMPETING INTERESTS

As at 31 March 2008, 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 three months ended 31 March 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

For and on behalf of the Board

Lily Wu
Chairman

Hong Kong, 9 May 2008