CARDLINK TECHNOLOGY GROUP LIMITED
鍇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 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE").

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 Group recorded an unaudited revenue of about HK$34,386,000 for the three months ended 31 March 2010, representing an increase of 4.1% as compared with that of the corresponding period in 2009.
- The Group recorded an unaudited profit attributable to the owners of the Company of HK$265,000 for the three months ended 31 March 2010.
- The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2010.

UNAUDITED FIRST QUARTERLY RESULTS

The board of Directors (the "Board") announces the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months ended 31 March 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 March	
		2010	2009
	Notes	***HK$***	*HK$*
Revenue	*2*	**34,386,086**	33,036,190
Cost of sales		**(25,502,256)**	(21,659,934)
Gross profit		**8,883,830**	11,376,256
Other revenue		**54,143**	10,378
Selling and distribution costs		**(1,396,554)**	(1,526,166)
Administrative expenses		**(5,629,092)**	(6,183,251)
Finance costs		**(87,337)**	(112,606)
Share of results of a jointly controlled entity		**(752,672)**	–
Profit before income tax		**1,072,318**	3,564,611
Income tax expense	*3*	**(807,750)**	(943,979)
Profit for the period		**264,568**	2,620,632
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		**199,759**	950,078
Other comprehensive income, net of tax		**199,759**	950,078
Total comprehensive income for the period		**464,327**	3,570,710
Earnings per share for profit attributable to the owners of the Company during the period	*5*		
– Basic		**0.05 cents**	0.57 cents
– Diluted		**0.05 cents**	n/a

Notes:

1. **BASIS OF PREPARATION**

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The Group's unaudited results for the three months ended 31 March 2010 have been reviewed by the audit committee.

2. **REVENUE**

Revenue from the Group's principal activities recognised during the period is as follows:

	Three months ended 31 March	
	2010	2009
	HK$	*HK$*
Sales of smart cards and plastic cards	**34,358,436**	33,032,690
Sales of smart card application systems	**26,800**	3,500
Service and other income	**850**	–
	34,386,086	33,036,190

3. **INCOME TAX EXPENSE**

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period. Taxation for subsidiaries incorporated in the People's Republic of China ("PRC") is calculated on the estimated assessable profit for the period at the rates of taxation prevailing 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 Tecsun Venus Technology Limited is subject to EIT rate of 25%.

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.

4. **DIVIDENDS**

The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2010 (2009: NIL).

5. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2010 is based on the unaudited profit attributable to owners of the Company for the three months ended 31 March 2010 of HK$264,568 (2009: HK$2,620,632) and the weighted average of 489,100,000 (2009: 458,100,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 31 March 2010 is based on the unaudited profit attributable to owners of the Company for the three months ended 31 March 2010 of HK$264,568 and the weighted average of 511,238,219 ordinary shares in issue during the period.

Diluted earnings per share for the three months ended 31 March 2009 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. RESERVE

	Contributed surplus	Share option reserve	Other reserves	Exchange difference	Available-for sale financial assets revaluation reserve	Warrant reserve	Accumulated profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2009	51,611,489	2,448,014	7	4,994,418	(5,915,760)	–	14,508,410	67,646,578
Profit for the period	–	–	–	–	–	–	2,620,632	2,620,632
Currency translation	–	–	–	950,078	–	–	–	950,078
At 31 March 2009	51,611,489	2,448,014	7	5,944,496	(5,915,760)	–	17,129,042	71,217,288
At 1 January 2010	77,937,474	2,448,014	7	6,843,435	–	1,445,500	24,806,803	113,481,233
Profit for the period	–	–	–	–	–	–	264,568	264,568
Currency translation	–	–	–	199,759	–	–	–	199,759
At 31 March 2010	77,937,474	2,448,014	7	7,043,194	–	1,445,500	25,071,371	113,945,560

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the period under review, the Group was principally engaged in the manufacturing and sales of smart cards and plastic cards. The Group was also engaged in the provision of customised smart card application systems.

The Group faced a difficult business environment in the first quarter of 2010. Market competition was fierce and the Group faced both tremendous sales and pricing pressures. Revenue for the first quarter of 2010 dropped by HK$5.2 million, or 13.2%, over the last quarter. To help off-set the negative impact of the market environment, the Group will continue to streamline its production and operations, including optimising internal resources, enhancing its cash management program, and negotiating with suppliers for better terms. Operating expenses will also be scrutinized to improve efficiency.

For the three months ended 31 March 2010, the Group recorded revenue of HK$34.4 million, representing an increase of 4.1% as compared to the revenue in the corresponding period in 2009 of HK$33.0 million. The increase in revenue was, however, achieved through offering a number of price-cuts to customers in exchange for greater sales volume. During the period under review, cost of sales rose by 17.7%, up from HK$21.7 million for the corresponding period in 2009, to HK$25.5 million. This was due primarily to the increase in various direct costs, such as material costs, labor costs and overhead expenses needed to meet the increased volume orders. For the three months ended 31 March 2010, gross profit dropped to HK$8.9 million, down by HK$2.5 million, or 21.9%, as compared to HK$11.4 million for the corresponding period in 2009. The decrease in gross profit was due partly to the increase in direct costs to meet a larger but price-cut sales volume, and was also partly to a less favorable sales mix as compared to the corresponding period in 2009. Due to the aforesaid, gross profit margin for the three months ended 31 March 2010 dropped to 25.8%, as compared to 34.4% for the corresponding period in 2009.

During the period under review, selling and distribution costs decreased by 8.5% over last year to HK$1.4 million (three months ended 31 March 2009: HK$1.5 million). The decrease was mainly due to the reduction in commission paid after restructuring of the sales team, but which was partly offset by the increase in freight charges and other relating expenses for increased sales.

During the period under review, administrative expenses also declined by HK$0.6 million, or 9.0%, from HK$6.2 million in the corresponding period in 2009, to HK$5.6 million. The decrease was attributable to the decreases in various expenses such as legal and professional fees, exchange loss and office salary due to restructuring of the management team.

In a lower interest rate environment and with less average bank borrowings, the Group's finance costs were reduced by 22.4% during the period to HK$0.09 million (three months ended 31 March 2009: HK$0.11 million).

During the period under review, the Group's share of losses of Hota (USA) and its subsidiaries amounted to HK$0.8 million. Hota's loss in first quarter of 2010 is comprised of start-up operating expenses, as Hota is still in plant construction phase. Hota should start manufacturing operations with initial revenue contributions sometime in the second half of 2010. The Board believes that the investment in Hota should provide the Group with direct exposure to the promising business opportunity presented by the recycling of metals and materials from scrapped automobiles and the sale of recovered metals and parts. Hota's business is not only a good potential growth and profit driver for the Group, it is also an environmentally significant operation to conserve the earth's metals resources, reduce the amount of auto waste disposed globally, and increase the amount of energy efficient recycled steel production in China.

For the three months ended 31 March 2010, income tax expense of the Group was HK$0.8 million, representing a drop of 14.4% as compared with the corresponding period in 2009 of HK$0.9 million. The drop in income tax expense was due mainly to the decrease in estimated assessable profits for a subsidiary in Hong Kong, but partly offset by the increase in tax rate for a subsidiary of the Company in Shenzhen and increase in estimated taxable profits for the subsidiaries of the Company in the PRC.

As a result of the foregoing, profit attributable to the owners of the Company in the first quarter of 2010 amounted to HK$0.3 million, representing a drop of 89.9% as compared to the corresponding period in 2009 of HK$2.6 million.

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities, bank loans and finance lease arrangements. As at 31 March 2010, the Group had cash and bank balances of HK$45.6 million, finance leases payable of HK$5.4 million and a secured bank loan of HK$15.3 million.

As at 31 March 2010, the Group had current assets of HK$94.5 million and current liabilities of HK$35.3 million. The current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 2.7.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31 March 2010, 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:

Long positions in shares of the Company

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Aggregate long positions in shares of the Company	Percentage of shareholding
Directors					
Lily Wu	Personal Interest	–	1,000,000 *(Note 1)*	1,000,000	0.20
Chang Wei Wen	Personal Interest	–	800,000 *(Note 2)*	800,000	0.16
Leung Quan Yue, Michelle	Personal Interest	–	500,000 *(Note 3)*	500,000	0.10

Notes:

1. As at 31 March 2010, the named director held 1,000,000 share options conferring rights to subscribe for 1,000,000 shares.

2. As at 31 March 2010, the named director held 800,000 share options conferring rights to subscribe for 800,000 shares.

3. As at 31 March 2010, the named director held 500,000 share options conferring rights to subscribe for 500,000 shares.

Save as disclosed above, as at 31 March 2010, 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 2010, 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:

Long positions in shares of the Company

Name	*Notes*	Number of ordinary shares held	Number of underlying shares held	Aggregate long positions in shares of the Company	Percentage of shareholding
Best Heaven Limited	*1*	83,300,000	–	83,300,000	17.03
Mr. Chu Chen Lin	*1*	83,300,000	–	83,300,000	17.03
Golden Dice Co., Ltd.	*2*	82,400,000	–	82,400,000	16.85
Mr. Tsai Chi Yuan	*2*	82,400,000	–	82,400,000	16.85
Mr. Wang Tienan		31,115,000	–	31,115,000	6.36

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.

Save as disclosed above, as at 31 March 2010, 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.

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 10.0% as at 31 March 2010 (31 December 2009: 4.0%). Accordingly, the financial position of the Group remains very liquid.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the company emphasis a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the three months ended 31 March 2010, the Group compiled with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the code provision A2.1 stipulated in the following paragraphs.

The Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu ("Ms. Wu") serves as the Chairman of the Board since 1 April 2006. Mr. Anton Ho, the former Chief Executive Officer, resigned from the post with effect from 1 January 2009 and the position was left vacant since his resignation. After due and careful consideration by the Board, Ms. Wu was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are as follows:

- The size of the Group is still relatively small and thus not justified to separate the roles of chairman and chief executive officer; and

- The Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

Thus, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

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 2010.

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 2010, 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, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Lily Wu
Chairman

Hong Kong, 10 May 2010