



**NEOLINK CYBER TECHNOLOGY (HOLDING) LIMITED**

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

**Interim Report**  
**2000**

## **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 the 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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*The Directors collectively and individually accept full responsibility for this report which is given in compliance with the requirements (Rules Governing the Listing of Securities on the Growth Enterprise Market) of the Stock Exchange. The Directors confirm, having made all reasonable enquires, that to the best of their knowledge and belief, (i) the information contained in the report are accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this report have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.*

## SUMMARY

The Company achieved a turnover of approximately HK\$6,223,000 for the six months ended 30th June, 2000, representing 61% increase as compared to the same period of the previous financial year. The unaudited combined loss for the period was approximately HK\$4,453,000. The Company was successfully listed on the GEM of the Stock Exchange on 25th July, 2000.

## PROFIT AND LOSS ACCOUNT

The Board of Directors of Neolink Cyber Technology (Holding) Limited (“the Company”) is pleased to announce that the unaudited combined results for the six months and three months ended 30th June, 2000 of the Company and its subsidiaries (the “Group”) and the comparative figures of the unaudited combined results for the corresponding six months and three months period last year respectively are set out below:

	<i>Notes</i>	For the three months ended 30th June		For the six months ended 30th June	
		2000 Unaudited Combined	1999 Unaudited Combined	2000 Unaudited Combined	1999 Unaudited Combined
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover					
- Telemedia		1,372	873	2,198	2,649
- Radio trunking		1,484	691	4,024	1,214
	2	<u>2,856</u>	<u>1,564</u>	<u>6,223</u>	<u>3,863</u>
Cost of telemedia		(92)	(181)	(134)	(356)
Cost of radio trunking		(901)	(242)	(2,097)	(665)
		<u>1,863</u>	<u>1,141</u>	<u>3,992</u>	<u>2,843</u>
Gross profit					
Other revenues	2	64	10	452	28
Distribution costs		(458)	(417)	(909)	(746)
Administrative expenses		(4,091)	(1,802)	(8,085)	(3,049)
		<u>(2,621)</u>	<u>(1,068)</u>	<u>(4,551)</u>	<u>(924)</u>
Profit/(Loss) from operations					
Finance costs	3	(50)	(21)	(76)	(49)
		<u>(2,672)</u>	<u>(1,089)</u>	<u>(4,627)</u>	<u>(972)</u>
Profit/(Loss) before taxation					
Taxation	4	(27)	0	(44)	0
		<u>(2,699)</u>	<u>(1,089)</u>	<u>(4,672)</u>	<u>(972)</u>
Profit/(Loss) after taxation					
Minority interests		115	46	218	140
		<u>(2,584)</u>	<u>(1,043)</u>	<u>(4,453)</u>	<u>(832)</u>
Profit/(Loss) attributable to shareholders					
Earnings/(Loss) per share - Basic	5	<u>(0.54) cents</u>	<u>(0.22) cents</u>	<u>(0.94) cents</u>	<u>(0.17) cents</u>

*Notes:*

**1. Basis of preparation**

The Company was incorporated in the Cayman Islands on 13th October 1999 under the Companies Law of the Cayman Islands and the re-organization of the Group prior to the listing on GEM of the Stock Exchange was completed in July 2000, as such the results under the combined basis reflect the combined results for the period from 1st January 2000 to 30th June 2000. The combined results for the six months and three months ended 30th June 1999 have been prepared on a basis as if the current group structure had been in existence since 1st January 1999.

**2. Revenue and Turnover**

	For the three months ended 30th June		For the six months ended 30th June	
	2000 Unaudited Combined <i>HK\$'000</i>	1999 Unaudited Combined <i>HK\$'000</i>	2000 Unaudited Combined <i>HK\$'000</i>	1999 Unaudited Combined <i>HK\$'000</i>
Technical service income				
- Telemedia services	1,372	873	2,198	2,649
- Repair and maintenance for radio trunking systems	-	-	533	-
	<u>1,372</u>	<u>873</u>	<u>2,731</u>	<u>2,649</u>
Sales of goods				
- Telemedia equipment	-	-	-	-
- Radio trunking systems	1,484	691	3,492	1,214
	<u>1,484</u>	<u>691</u>	<u>3,492</u>	<u>1,214</u>
Turnover	2,856	1,564	6,223	3,863
Interest income	1	3	6	8
Others	63	7	445	20
Total revenues	<u>2,920</u>	<u>1,574</u>	<u>6,674</u>	<u>3,891</u>

Turnover represents total invoiced value of services rendered and sales made to customers net of value-added tax and discounts given.

### 3. Finance Costs

	For the three months ended 30th June		For the six months ended 30th June	
	2000	1999	2000	1999
	Unaudited Combined	Unaudited Combined	Unaudited Combined	Unaudited Combined
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	50	21	76	49

### 4. Taxation

The taxation charge comprises: -

		For the three months ended 30th June		For the six months ended 30th June	
		2000	1999	2000	1999
		Unaudited Combined	Unaudited Combined	Unaudited Combined	Unaudited Combined
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	(i)	—	—	—	—
Overseas taxation					
- Current	(ii)	27	—	44	—

- (i) No provision for Hong Kong profits tax has been made in the accounts as the Group has no estimated assessable profit for the relevant periods.
- (ii) Overseas taxation represented tax charges on the assessable profits of subsidiaries operation in the PRC calculated at the applicable rates.

In accordance with the PRC income tax law, Hangzhou Neolink Communication Equipment Company Limited, a subsidiary of the Company operating in Hangzhou City, Zhejiang Province, is subject to an income tax rate of 33 per cent. on its taxable profit. As the subsidiary is eligible for the High and New Technology Enterprise status as endorsed in the approved document dated 16th December, 1998 issued by Zhejiang Science Technology Committee, the applicable income tax rate is reduced by 15 per cent.. In addition, pursuant to an assessment form dated 11th September, 1996 stamped by Hangzhou State Tax Bureau, Zhejiang Province, the subsidiary is exempted from payment of 3 per cent. local tax until the year 2003. The subsidiary is granted full exemption from PRC income tax for two years from its first profit-making year of operations followed by a 50 per cent. reduction in the state income tax rate for the next three years. The first profit-making year for the aforesaid tax holiday

was the financial year ended 31st December, 1994. The 50 per cent. reduced tax rate from the third to the fifth profit-making years, i.e., three financial years ended 31st December, 1998, would be 7.5 per cent.. The applicable income tax rate for the financial years ending 31st December 1999 and 31st December 2000 is 15 per cent..

In accordance with PRC income tax law, Neolink Electronics Technology (Beijing) Company Limited, a subsidiary of the Company operating in Beijing, is subject to an income tax rate of 33 per cent. on its taxable profit. Pursuant to a notice dated 17th November, 1997 issued by Hai Dian State Tax Bureau, the subsidiary is eligible for the High and New Technology Enterprise Status and hence the applicable income tax rate is reduced by 15 per cent.. The notice also stated that the subsidiary is entitled to full exemption from PRC income tax from the years 1997 to 1999 followed by a 50 per cent. reduction in the state income tax rate for the years 2000 to 2002. In addition, pursuant to the notice, the subsidiary is exemption from payment of 3 per cent. local tax since 1997.

## **5. Earnings per share**

The calculation of the basic earnings/(loss) per share is based on the loss attributable to shareholders for the six months and three months ended 30th June 2000 of approximately HK\$4,453,000 (1999: loss of HK\$832,000) and HK\$2,584,000 (1999: loss of HK\$1,043,000) respectively and the 476,000,000 shares in issue during the period, assuming the 476,000,000 shares issued pursuant to the group reorganisation had been outstanding throughout the period.

## **DIVIDEND**

In order to ensure sufficient capital for future business development, the Board of Directors has resolved not to pay an interim dividend for the six months period ended 30th June, 2000 (1999: Nil).

## **BUSINESS REVIEW**

The unaudited combined loss attributable to shareholders for the six months ended 30 June 2000 was approximately HK\$4,453,000. The Company recorded a turnover of approximately HK\$6,223,000 during the period, which represented 61% increase as compared to the same period in 1999. The increase was mainly driven by the continuous sales growth in radio trunking systems.

## **RADIO TRUNKING SYSTEM AND INTEGRATION**

In the first six months of 2000, the research and development centre in Shenzhen has been successfully set up and operated. The centre is mainly responsible for developing the high frequency communication products. The radio frequency part of the 800MHz mobile terminal and 400MHz portable terminal have been successfully developed, which is a milestone of the Company in developing its own high frequency communication products and being ready for production.

In addition, the Company is confident that the specialized government use radio trunking system with encryption features will pass the approval process of the government in the near future. The incoming caller ID display with queuing features has also been developed for ODIN taxi dispatching and management system. This makes the dispatching system more effective and competitive. Application software for the mobile terminal which developed by the Company's own research and development centre is currently in the process of final testing. It is expected that the software will pass the qualification process in the third quarter of this year.

Regarding the sales in the six months ended 30 June 2000, the Company has done good sales and marketing promotion for the taxi dispatching system and has successfully obtained orders from new customers in Guangzhou and Fo Shan in Guangdong.

## **PROVISION OF TELEMEDIA SERVICE**

In the first six months of 2000, the Company, as a sole provider of Haoyuan Yingte, continued to provide technical consulting services and telemedia programs to Haoyuan Yingte.

Based on the technical know-how and experience of the Company in providing telemedia service and programs, the Company has streamlined the program production process to increase the production efficiency. This is also part of the preparation of the Company to provide similar services to other telemedia service providers in China.

## **PROVISION OF INTERNET SOLUTION**

The first six months of 2000 was difficult time in operating Internet business in China. Most Internet service providers in China including Haoyuan Sky Internet have been more conservative in making investment in the industry. To cope with the business environment, the Company not only keeps on developing the technical know-how in Internet industry, but also monitors and controls every investment very carefully.

## OUTLOOK

As the demand on the high quality of taxi dispatching service is growing in China, the Company believes that the demand on the professional taxi dispatching and management system will continue to grow. Based on the niche of the Company's product and service in mobile communications, the Company has planned sales and marketing activities to tap the new opportunities in the industry. In the overseas market, the Company is still working with Motorola on promoting and distributing the Company's taxi dispatching system in Asia Pacific region. The Company believes that Asian market will generate revenue very soon.

The Company believes that there will be a steady business growth in specialized government uses trunking system when the new portable terminal is launched in near future.

The Company is actively monitoring the business opportunity on provision of telemedia service and program to other service providers in the market.

The Company is also closely monitoring the changes in the business environment of Internet services in the China market. In the future, the Company will focus on developing integrated service platform which can meet the requirements of users in radio communications, telemedia service and Internet.

## DIRECTORS' INTERESTS IN SECURITIES

As at 14th August 2000, the interests of the directors of the Company in the shares of the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance") were as follows:-

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests
Wong Chit On ( <i>Note 1</i> )	—	—	192,923,808	—
Cai Zuping ( <i>Note 1</i> )	—	—	192,923,808	—
Wan Qiu Sheng ( <i>Note 1</i> )	—	—	10,899,672	—
Zhang Zheng ( <i>Note 1</i> )	—	—	7,266,420	—

*Note 1:* Wong Chit On, Cai Zuping, Wan Qiu Sheng and Zhang Zheng hold their respective attributable interests in the Company through their shareholdings in Infonet Group Co., Ltd. which holds 75% of the total issued share capital of the Company immediately after listing.

## SHARE OPTION SCHEME

On 13th July 2000, the Company adopted the Share Option Scheme. During the period from 13th July 2000 to 14th August 2000, no option was granted by the Company under this scheme. As at 14th August 2000, no option pursuant to the Share Option Scheme was outstanding.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period from 1st January 2000 to 14th August 2000 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares of the Company, or had exercised any such rights.

## SUBSTANTIAL SHAREHOLDERS

So far as the directors are aware, as at 14th August 2000, the holders of 10% or more of Shares of the Company were as follows:-

Name	Number of Shares	Percentage of Shareholding (%)
Infonet Group Co., Ltd. ( <i>Note 1</i> )	420,000,000	75

*Note 1:* Infonet Group Co., Ltd. ("Infonet") is a company incorporated in the BVI, 97.92 per cent. of the issued capital of which is beneficially owned by the executive directors and senior management staff of the Group as follows:

### *Executive Directors*

- 45.93 per cent. by Wong Chit On;
- 45.93 per cent. by Cai Zuping;
- 2.59 per cent. by Wan Qiu Sheng;
- 1.73 per cent. by Zhang Zheng.

### *Senior management staff*

- 0.86 per cent. by Lu Chunming;
- 0.52 per cent. by Chen Huanming;
- 0.18 per cent. by Mei Lei; and
- 0.18 per cent. by Pun Kam Wai, Peter.

The balance of 2.08 per cent. is owned by Distinct Developments Limited, which is a company incorporated in the BVI owned by two PRC individuals each holding a 50 per cent. shareholding. These two PRC individuals are independent third parties not connected with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates. They are not involved in the management of the Group.

Infonet, Wong Chit On and Cai Zuping are substantial shareholders of the Company for the purpose of the GEM Listing Rules.

## **SPONSOR'S INTERESTS**

The Sponsor of the Company, DBS Asia Capital Limited, its directors, employees and associates, at 14th August 2000, did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

DBS Asia Capital Limited has entered into a sponsorship agreement with the Company whereby, for a fee, DBS Asia Capital Limited will act as the Company's continuing sponsor for the purposes of the GEM Listing Rules.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountant. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee comprises two independent non-executive directors, namely Mr. Chan Wai Dune and Mr. Kong Li Szu.

## **COMPETING INTERESTS**

During the period from 1st January 2000 to 14th August 2000, none of the Directors and initial management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with the Company or might compete with the business of the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period from 1st January 2000 to 14th August 2000.

## **YEAR 2000 COMPLIANCE**

The Board of Directors is pleased to announce that the Company's computer systems were proved Year 2000 compliant safely. The Board of Directors believes that the Year 2000 computer issue will have no material impact on the operations of the Group.

By Order of the Board

**Wong Chit On**

*Chairman*

Hong Kong, 14th August 2000