优能科技

Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

Annual 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.

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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. 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 in order to obtain up-to-date information on GEM-listed issuers.

This annual report, for which the directors of Neolink Cyber Technology (Holding) Limited (the "Directors") 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 for the purpose of giving information with regard to Neolink Cyber Technology (Holding) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

Corporate Profile

Directors

Executive Directors
Mr. Cai Zuping *(Chairman)*
Mr. Wan Qiu Sheng *(Vice Chairman)*
Mr. Wong Chit On
Mr. Zhang Zheng

Independent Non-executive Directors
Mr. Chan Wai Dune
Mr. Kong Li Szu

Authorized Representative

Mr. Wan Qiu Sheng
Mr. Pun Kam Wai Peter

Audit Committee Members

Mr. Chan Wai Dune
Mr. Kong Li Szu

Compliance Officer

Mr. Zhang Zheng

Company Secretary

Mr. Pun Kam Wai Peter

Qualified Accountant

Mr. Pun Kam Wai Peter CPA (Aust.), AHKSA

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited

Legal Advisors

On Hong Kong Law:
Fairbairn Catley Low & Kong
43th Floor, Gloucester Tower
The Landmark
11 Peddar Street
Hong Kong

On Cayman Islands Law:
Conyers Dill & Pearman, Cayman
Zephyr House
George Town
Grand Cayman
British West Indies

On PRC Law:
Guangdong Guangxin Lawyers
13th Floor, Guangzhou Exchange Plaza
268 Dong Feng Zhong Road
Guangzhou
Guangdong Province
The Peoples' Republic of China

Corporate Profile

Sponsor

DBS Asia Capital Limited
16th Floor, Man Yee Building
68 Des Voeux Road
Central
Hong Kong

Registered Office

Zephyr House
George Town
Grand Cayman
British West Indies

Principal Place Of Business

2111, 21st Floor, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Share Registrars And Transfer Office

Cayman Islands
Bank of Butterfield International (Cayman) Limited
Butterfield House
Fort Street
PO Box 705 George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong
Abacus Share Registrars Limited
2401 Prince's Building
Central
Hong Kong

Chairman's Statement

Neolink Cyber Technology (Holding) Limited ("the Company") was successfully listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("SEHK") on 25th July 2000. With our deepest gratitude in thanking all of you your continuous support, we hereby announce our annual audited financial results as of 31st December 2000 for the Company and its subsidiaries ("the Group").

Our total turnover was approximately HK$19,998,000 for the year ended 31st December 2000, in which the fourth quarter alone contributed more than HK$11 million turnover. The fourth quarter in 2000 performed much better than the previous three quarters. This was mainly due to the delay in the delivery of government use telecommunication systems in the previous three quarters. The new system requirements and the higher acceptance standards imposed by the government in 2000 caused substantial delay in the product delivery. The Group devoted much more time in research and development to comply with the new requirements. Therefore, the Group managed to deliver part of the orders from the government in 2000 with the rest postponed to 2001.

The Group has also been actively investigating the shift of business strategy in telemedia services which may not be very promising market in China in the future. The fast-growing call center services can be one of the future business directions of the Group in this area.

In our internet business, the Group has set personal digital assistant as the future development focus and the R&D center in Shenzhen has successfully developed a new model of such terminal.

Both telemedia and internet markets in China has been changing very fast in 2000. All market participants, including the Group, have inevitably been implementing drastic changes in business strategies so as to react proactively to the market development. We believe that, with our strength built on the research and development achievements and our changes focused on long-term development of the Company, we have built a good foundation for our business growth in 2001.

On behalf of the Board of Directors, I wish to express our sincere appreciation to all the employees of the Group for their commitment and contribution. They are definitely the most valuable assets of the Group to win the business success in the future.

Business Review & Outlook

BUSINESS REVIEW

In the year ended 31st December 2000, the Group had satisfactory performance in research and development which has provided a good foundation for our future development. This is particularly important for the Group in an era of drastic change in the market environment. However, the overall performance of the Group was less than satisfactory in the year ended 31st December 2000 mainly due to market changes.

Radio Trunking Systems and Integration

The Chinese government had imposed new requirements of their specialized radio trunking systems and enhanced enforcement of their acceptance standards, including full-scale digital encryption technology and anti-electromagnetic interference requirement. The Group had completed all the necessary research and testing and secured verification from the government. Products delivered in the fourth quarter of 2000 were manufactured based on the new requirements. The fulfilment of new requirements and standards has indirectly proved the good technical capability of our products.

The Group has also started supplying our customers with self-developed mobile telecom terminals in 2000. In the past, the Group managed to produce only the digital control part of the terminals while the high frequency part was sourced from other suppliers. In the future, the Group's self-developed terminals will strengthen the competitiveness of our products, particularly in securing the orders from the Chinese government.

Provision of Telemedia Service

With the shrinking of the traditional telemedia services market, the Group has been exploring new business opportunities in this area and is planning to shift the business to call centre services. Preparation work for the shift in business direction has been proceeding quite well in 2000. Besides, the Group is optimistic with the future development of wireless broadband services market and is currently studying the provision of multimedia information services through wireless broadband network.

Provision of Internet Solutions and Related Technical Services

With the drastic changes in the internet ISP and ICP markets, the Group had decided to focus on the development of network-based mobile personal digital assistant (PDA) terminals. The Group's research and development team in Shenzhen has achieved significant results in developing PDA equipment specialized for designated customer groups. Besides, in order to secure the best opportunity in the PDA market in China, the Group has announced already on 20th February 2001 the acquisition of all the assets (both tangible and intangible), business and rights of Shenzhen Hua Dian Technology Company Limited which is engaged in development, production and sales of ebook, an educational PDA specially designed for secondary school students in China.

New Business

On 30th January 2001 the Group has announced the acquisition of 55% equity interest in Shenzhen Max Com Industrial Development Company Limited ("Shenzhen Max Com"). Shenzhen Max Com is a joint venture with Unicom Guomai Communications Industrial Development Company Limited, a company of which the securities are listed in Shanghai Stock Exchange with stock code of 600640 and the major shareholder of which is China United Telecommunications Corporation. Shenzhen Max Com will bring along contributions towards the Group in terms of connections and expansion of business areas. The Directors of the Company expect Shenzhen Max Com will bring a positive contribution to the future earnings of the Group. Besides, the Group also plans to research and develop TDS-CDMA technology for the third-generation mobile phones through Shenzhen Max Com.

Research and Development

The Group has achieved significant progress in research and development, including central exchange system, digital encryption technology and mobile terminal for the government use telecommunication system, and wireless PDA.

The Group has also started the research and development for an information terminal used in both GSM mobile telecommunication network and specialized radio trunking system. The target market for this new product will be public transport vehicles. The terminal will also be capable of obtaining information services from internet. The Group expects to launch this product in the second half of 2001.

OUTLOOK

Inspite of the continued volatile market sentiment on internet and technology business, the Group is proactively reforming the business strategy and well-prepared for the future development of telecommunication and internet market. Based on our strength in research and development and experience in telecommunication system, our expansion into the production of GSM/CDMA base station equipment, GSM-based vehicle information terminal, and PDA in 2001 will definitely enlarge the scope of business and the customer base of the Group in the prosperous telecommunication market in China. The Group is targeted to establish a balanced development in both specialized use market (for example, government) and general use market (for example, PDA). We expect both the existing and new business lines will bring good contribution to the business development of the Group in 2001.

Comparison of Business Objectives with Actual Business Progress

Business objectives as stated in the prospectus dated 18th July 2000 ("the Prospectus") for the period ended 31st December 2000	Actual business progress
Provision of telemedia related technical services	
Research and development	
• Purchase equipment for the research and development of call centre system.	• Call centre system has developed into a multimedia mode and is now under testing. Necessary equipment will be purchased only when further R & D is needed.
Sales	
• Technical services to new telemedia establishments of Haoyuan Yingte in two cities in the PRC.	• Haoyuan Yingte had taken a more conservative business development approach in response to the latest market change. No new city had been added to operations yet.
• Regular technical services and telemedia programmes to existing telemedia establishments of Haoyuan Yingte.	• In progress as planned.
Others	
• Employ eight new technical staff and five editing staff.	• The Group had set up a R & D and editing centre in Beijing. Recruitment is in progress.

Comparison of Business Objectives with Actual Business Progress

Business objectives as stated in the prospectus dated 18th July 2000 ("the Prospectus") for the period ended 31st December 2000	Actual business progress
Radio trunking systems integration	
Research and development	
• Purchase of equipment and instrumentation.	• Some computers for R & D and development equipment for mobile terminals had been purchased.
• Specialised government use digital encryption mobile terminal.	• The technology had been developed successfully and in production already.
• 800 megahertz mobile terminal.	• The 800 megahertz mobile terminal for vehicles had been developed successfully.
• RNX8000 central switching system.	• R & D had been completed successfully and was ready to be used in production.
• New software version for ODIN dispatch centre systems.	• New software version had been developed and was already used in products delivered to our new customer in Guangzhou.
Sales	
• ODIN systems to overseas markets.	• Motorola was actively promoting Neolink's products through their distribution network. But no sales have been made yet.
• ODIN systems in the PRC.	• There were sales to customers in Guangzhou, Shanghai, Hangzhou and Chenzhou (Hunan).
• ODIN systems expansions in the PRC.	• There were orders for system expansion from current customers in Beijing, Shanghai and Jinan.

Comparison of Business Objectives with Actual Business Progress

Business objectives as stated in the prospectus dated 18th July 2000 ("the Prospectus") for the period ended 31st December 2000	Actual business progress
Radio trunking systems integration (continued)	
Sales (continued)	
• Specialized railway use systems.	• Negotiation was still in progress.
• Specialized government systems.	• Part of the government use systems was delivered in the fourth quarter of 2000
Others	
• Commencement of the ISO9001 certification process	• Consultancy company was selected and contract was signed. Related work had been started in the fourth quarter of 2000.
Provision of Internet solutions and related technical services	
Research and development	
• Employ 13 extra staff for the information content production centre in Beijing, the PRC. • Improve the scale and quality of new content and increase the provision of financial content. • Multi-int Internet application system that supports WAP-enabled mobile phones, SMS-enabled mobile phones, palm-top computers and PDAs. • Continue to improve on the technology and services of Internet login, information content and e-business.	• In response to the latest internet market development, the Group had suspended development in ICP and kept investment in ISP to a minimal level.

Comparison of Business Objectives with Actual Business Progress

Business objectives as stated in the prospectus dated 18th July 2000 ("the Prospectus") for the period ended 31st December 2000	Actual business progress
Provision of Internet solutions and related technical services (continued)	
Research and development (continued)	
• Develop new Internet technology for diversification of user markets.	• In response to the latest internet market development, the Group had suspended development in ICP and kept investment in ISP to a minimal level.
• PDA.	• One mobile PDA terminal with internet connection had been developed successfully.
Sales	
• Technical services to new ISP establishments of Haoyuan Sky Internet in five cities in the PRC. • Internet information content to support the ICP business of Haoyuan Sky Internet. • Markets Multi-int Internet application system and related technical services.	• No sales were achieved due to change in business strategy mentioned above.

Directors & Senior Management

EXECUTIVE DIRECTORS

Mr. CAI Zuping, aged 43, is the chairman of the Company. He is one of the founders of the Group and is responsible for the overall strategic planning of the Group and the planning of the group's business development in the PRC. Mr. Cai graduated from an electronical engineering college in Taiyuan, Shanxi, the PRC and since then, has worked in communication related government departments in the PRC for six years. He founded the Group in 1990. He has over 23 years of experience in the communications industry.

Mr. WAN Qiu Sheng, aged 36, is the vice-chairman of the Company. He is responsible for the marketing of the Group's businesses and the development of strategic partners for the Group. Mr. Wan holds a bachelor degree in electronics engineering from Zhejiang University in the PRC and a master degree in business administration from Barrington University in the US. Mr. Wan joined the Group in October 1998. Prior to joining the Group, Mr. Wan was the executive president of an Internet company in Canada for three years. He has over 12 years of experience in the computer and telecommunications industry.

Mr. WONG Chit On, alias Wang Gangjun, aged 42 is an executive director of the Company. He is one of the founders of the Group and is responsible for the overall strategic planning of the Group and the development of strategic partners for the Group. Mr. Wong graduated from a radio communication college in Chongqing, Sichuan, the PRC and since then, has worked in communication related government departments in the PRC for six years. He founded the Group in 1990. He has over 21 years of experience in the communications industry. Mr. Wong was featured in the Book of Contemporary Famous People in China in 1994.

Mr. ZHANG Zheng, aged 39, is an executive director of the Company. He is responsible for the day-to-day management of the Group's businesses. He is also the compliance officer of the Company. Mr. Zhang holds a bachelor degree in engineering from Ceramics College of the PRC and has over 16 years of experience in computer and communications. Mr. Zhang joined the Group in 1992. Prior to joining the Group, Mr. Zhang worked for the Hangzhou Automation Research Institute and subsequently worked in a senior management position for five years in a Sino-foreign equity joint venture computer company in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Wai Dune, aged 48, is an independent non-executive director. He is a fellow member of The Chartered Association of Certified Accountants, a fellow member of The Taxation Institute of Hong Kong and a fellow member of the Hong Kong Society of Accountants. Mr. Chan is the managing director of Charles Chan. Ip & Fung CPA Ltd., a firm of certified public accountants in Hong Kong. He also holds positions in various community service bodies and professional service bodies including a member of The Selection Committee for the First Government of The Hong Kong Special Administrative Region, the treasurer and director of The Hong Kong Progressive Alliance, honorary president of The Wan Chai District Association and a committee member of The Small Practitioners Committee of the Hong Kong Society of Accountants. Mr. Chan was appointed a director of the Company in November 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. KONG Li Szu, aged 30, is an independent non-executive director. Mr. Kong holds a bachelor of science degree in civil engineering from Washington University in the US and a master of science from Stanford University in the US. Mr. Kong is currently an executive director of Kong Sun Holdings Limited, a company listed on the main board of The Stock Exchange. He was appointed a director of the Company in November 1999.

SENIOR MANAGEMENT

Mr. PUN Kam Wai, Peter, aged 39, is the financial controller, the company secretary and the qualified accountant of the Company. He holds a master degree in business administration and a bachelor degree in social science from the Chinese University of Hong Kong and a master degree in professional accounting from University of Southern Queensland, Australia. He has over 12 years of experience in the accounting, finance and administration field and is a member of the Australian Society of Certified Practising Accountants and an associate member of the Hong Kong Society of Accountants. Mr. Pun joined the Group in June 1999.

Dr. JIN Zijian, aged 38, is the chief information officer of the Group. Dr. Jin is responsible for the overall planning and monitoring of the information projects undertaken by the Group. He holds a master degree and a doctorate in electronics and communication engineering from Beijing Polytechnic University and post doctorate qualifications from Tsing Hua University in the PRC. Dr. Jin joined the Group in 1998. Prior to joining the Group, Dr. Jin had been the deputy chairman and chief engineering of Beijing Star Centre of Technical Development and has over 10 years of experience in communications and computer.

Mr. LU Chunming, aged 44, is the general manager of Beijing Neolink Information Technology Company Limited and is responsible for the management and overall operation of the company. He graduated from Beijing Teacher's University in the PRC and joined the Group in 1995. Prior to joining the Group, Mr. Lu worked for the Post and Telecommunication Science Research Institute of the former MPT and Authorities Service Bureau of the former MPT. He has over 20 years of experience in the communications industry.

Mr. CHEN Huanming, aged 36, is the general manager of both Hangzhou Neolink Communication Equipment Company Limited and Beijing Neolink Information Technology Company Limited. Mr. Chen is responsible for the management of these two companies. He holds a bachelor degree in electronics engineering from Zhejiang University in the PRC and joined the Group in 1992. Mr. Chen has over 15 years of experience in the electronics and communications industries.

Mr. MI Lei, aged 37, is the head of the research centre of Hangzhou Neolink Commercial Equipment Company Limited and is responsible for the research and development of new products for the Group. He graduated from Zhejiang University in the PRC with a bachelor degree in electronic engineering. Mr. Mi joined the Group in 1996 and has over 15 years of experience in the electronics and communications industries.

Report of the Directors

The directors submit their first report together with the audited accounts for the year ended 31st December 2000.

GROUP RECONSTRUCTION AND BASIS OF PREPARATION OF THE ACCOUNTS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13th October 1999 under the Companies Law (1998 Revision) of the Cayman Islands. Pursuant to a corporate reconstruction (the "Reconstruction"), as described in Appendix IV of the prospectus of the Company dated 18th July 2000, to rationalise the group structure in preparation for listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the principal subsidiaries listed in note 14 to the accounts (collectively known as the "Group") on 13th July 2000. The shares of the Company were listed on the GEM on 25th July 2000.

The Reconstruction has been reflected in these accounts on the basis of merger accounting by regarding the Group as a continuing group in accordance with the Hong Kong Statements of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions". The basis of preparation for these accounts is set out in note 1 to these accounts.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 14 to the accounts.

An analysis of the Group's turnover and contribution to (loss)/profit from operations by principal activities is as follows:

	Turnover		(Loss)/profit from operations	
	2000	1999	**2000**	1999
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal activities				
Radio trunking business	**15,126**	15,768	**(3,119)**	815
Telemedia business	**4,872**	7,019	**1,353**	4,817
Internet services	**–**	–	**(6,514)**	(242)
	19,998	22,787	**(8,280)**	5,390

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the (loss)/profit from operations of the Group are attributable to markets outside the People's Republic of China (the "PRC").

Report of the Directors

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 22.

No dividends have been paid or declared by the Company since its date of incorporation. The directors do not recommend the payment of a final dividend.

The details of dividends declared and paid prior to the group reconstruction are set out in note 8 to the accounts.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company during the year are set out in note 12 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

SHARE OPTIONS

Details of share options of the Company are set out in note 21 to the accounts.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st December 2000 are set out in note 14(a) to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2000, calculated under section 34 of the Companies Law (2000 Revision) of the Cayman Islands, amounted to HK$15,555,000, subject to a solvency test of the Company and the provisions of the Articles of Association of the Company.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31st December 2000 are set out in note 23 to the accounts.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group for the years ended 31st December 2000, 1999 and 1998, prepared under the basis set out in note 1 to the accounts, is set out on page 52.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors during the year were:

Mr. CAI Zuping	(appointed on 14th October 1999)
Mr. WAN Qiu Sheng	(appointed on 14th October 1999)
Mr. WONG Chit On	(appointed on 14th October 1999)
Mr. ZHANG Zheng	(appointed on 14th October 1999)
Mr. CHAN Wai Dune *	(appointed on 18th November 1999)
Mr. KONG Li Szu *	(appointed on 16th November 1999)

* *Independent non-executive directors*

All directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing on 25th July 2000, and will be continuing thereafter unless terminated by either party by giving three months' prior written notice.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 27 to the accounts, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries or holding companies was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option scheme approved by the then shareholder on 13th July 2000, the board of directors of the Company may, at their discretion, invite any full-time employees or executive directors of the Company or any of its subsidiaries to subscribe for ordinary shares of HK$0.10 each in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company. No options have been granted to the directors up to 31st December 2000.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

On 5th January 2001, 10,000,000 options were granted to Mr. ZHANG Zheng, an executive director of the Company, pursuant to the share option scheme with an exercise price of HK$0.72 per share. The options will be exercisable from 5th January 2004 and will expire on 4th January 2008. No options were waived or exercised up to the date of this report.

Saved as disclosed above, none of the directors or their spouses or children under 18 years of age had any right to subscribe for the shares of the Company, or had exercised any right during the year and up to the date of this report.

Saved as disclosed above, at no time during the year and up to the date of this report was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN EQUITY

As at 31st December 2000 and up to the date of this report, the interests of the directors in the shares of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Director	Type of interest	No. of shares
Mr. CAI Zuping	Corporate *(Note a)*	192,923,808
Mr. WAN Qiu Sheng	Corporate *(Note a and Note b)*	10,899,672
Mr. WONG Chit On	Corporate *(Note a)*	192,923,808
Mr. ZHANG Zheng	Corporate *(Note a)*	7,266,420

Notes:

(a) These shares are held by Infonet Group Company Limited, a company incorporated in the British Virgin Islands. Mr. CAI Zuping, Mr. WONG Chit On, Mr. WAN Qiu Sheng (together with his wife, see note (b) below) and Mr. ZHANG Zheng own 45.93%, 45.93%, 2.59% and 1.73% of the issued share capital of Infonet Group Company Limited respectively.

(b) Mr. WAN Qiu Sheng's interest in Infonet Group Company Limited is held through Smooth Gain Profits Limited, a company incorporated in the British Virgin Islands, in which Mr. WAN Qiu Sheng and his wife each has a 50% shareholding.

Saved as disclosed above, as at the date of this report, none of the directors had any interests in the shares of the Company and its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st December 2000 the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares
Infonet Group Company Limited	420,000,000

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following connected transactions which require to be disclosed pursuant to Chaper 20 of the Rules Governing The Listing of Securities on The GEM of the Stock Exchange (the "GEM Listing Rules"):

(1) On 11th November 1999, a subsidiary of the Company entered into a technical services agreement with Beijing Haoyuan Yingte Technology Development Company Limited ("Haoyuan Yingte") regarding the provision of telemedia related technical services by the Group to Haoyuan Yingte. Haoyuan Yingte is 60% and 37% owned by Shenzhen Zhaotaihua Communication Technology Company Limited ("Zhaotaihua") and Hainan Zhaotai Electronic Company Limited ("Zhaotai") respectively. Both of Zhaotaihua and Zhaotai are 50% held by a brother of Mr. WONG Chit On, a director of the Company, and a sister of Mr. CAI Zuping, a director of the Company. The total service income earned by the Group amounted to HK$3,862,000 for the year ended 31st December 2000.

(2) On 11th November 1999, a subsidiary of the Company entered into a technical service agreement with Beijing Haoyuan Sky Internet Company Limited ("Haoyuan Sky Internet") regarding the provision of Internet solutions and related technical services by the Group to Haoyuan Sky Internet. Haoyuan Sky Internet is 50% held by a brother of Mr. WONG Chit On, a director of the Company, and a sister of Mr. CAI Zuping, a director of the Company. No service income is earned by the Group during the year.

(3) Certain subsidiaries of the Company have sold certain specialised government use radio trunking systems and equipment, and rendered related technical services to Hainan Baotong Communication System Company Limited ("Baotong") for a total consideration of HK$8,511,000 during the year. Baotong is a company established in the PRC and is 55% held by Zhaotai.

(4) Pursuant to a tenancy agreement dated 1st November 1999 entered into between the Company and Aspiring International Investment (Group) Limited ("AIIG"), a monthly rental of HK$19,236 is payable by the Company to AIIG. AIIG is 50% held by Mr. WONG Chit On and Mr. CAI Zuping, directors of the Company, respectively. The tenancy agreement expired on 14th October 2000 and was not renewed by the parties. The corresponding total rental charge was approximately HK$173,000 for the year ended 31st December 2000.

CONNECTED TRANSACTIONS (continued)

(5) On 15th November 1999, a subsidiary of the Company entered into an agreement with Wuxi Public Information Network Company Limited ("Wuxi Network"), a company 80% held by Haoyuan Yingte, for sales of telemedia related equipment and provision of telemedia related technical services by the Group to Wuxi Network for a total consideration of HK$1,009,000. All of the equipment and services were sold and rendered during the year.

The directors of the Company are of the view that the transactions referred to above are conducted in the Group's ordinary and usual course of business, on normal commercial terms and in accordance with the relevant agreements governing them on terms that are fair, reasonable and in the interests of the shareholders of the Company as a whole, except for that the settlement from Haoyuan Yingte for the technical services provided by the Group mentioned in (1) above was not in accordance with the relevant agreement. Haoyuan Yingte failed to settle the service fee within the credit period laid down in the agreement, which is 45 days after the end of each quarter. Subsequently Haoyuan Yingte has settled all the outstanding service fee in a few instalments in 2001 before the issue of this Annual Report. The late payment of service fee by Haoyuan Yingte is due to the adverse financial position of Haoyuan Yingte which was seriously affected by the shrinking telemedia market in the PRC. As a compensation to the Company, Haoyuan Yingte also paid interest for the overdue service fee.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers.

The percentages of sales for the year attributable to the Group's major customers are as follows:

Sales

– the largest customer	43%
– five largest customers combined	79%

The largest and second largest customers of the Group are Baotong and Haoyuan Yingte respectively.

Saved as mentioned above, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

USE OF PROCEEDS

Net proceeds from listing amounted to approximately HK$31 million, of which:

– Approximately HK$5.5 million was used for the research and development and corporate development in relation to the Group's business of radio trunking systems integration;

– Approximately HK$0.1 million was used for the research and development and corporate development in relation to the Group's business of telemedia related technical services;

– Approximately HK$1.7 million was used for the research and development of the integrated information services network based on the Internet;

– Approximately HK$9 million was used as the deposit for acquisition of all the assets (both tangible and intangible), business and rights of Shenzhen Hua Dian Computer Technology Company Limited, a company established in the PRC and is engaged in research and development, production and sale of hand-held computer products; and

– Approximately HK$6.6 million was used as additional working capital; and

– The remaining net proceeds of approximately HK$8.1 million were placed as short-term deposits with financial institutions in Hong Kong and the PRC for future use as identified by the Group's business plans.

Net proceeds used in telemedia business were quite little mainly due to suspension of the establishment of customer service centres in response to the change in the telemedia market as mentioned above. The Company plans to reallocate part of the net proceeds set aside for telemedia business as planned in the prospectus to other business opportunities (like Hua Dian project mentioned above) which the Directors consider to be good for the future development of the Group.

Net proceeds used in internet market had also been changed to focus on the development of PDAs as a network-based terminal for multimedia information.

Net proceeds used in acquisition (for the Hua Dian project mentioned above) were higher than the amount set aside for acquisition as planned in the prospectus.

AUDIT COMMITTEE

The Company's audit committee was formed on 13th July 2000 comprising the independent executive directors, Mr. CHAN Wai Dune and Mr. KONG Li Szu. The terms of reference of the audit committee have been established with regard to Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control procedures. The audit committee met once in March 2001 in conjunction with the auditors to review the internal controls and accounts of the Group for the year ended 31st December 2000 prior to recommending such accounts to the Board for approval.

BOARD PRACTICES AND PROCEDURES

The Group has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules, since listed on the GEM of The Stock Exchange.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands.

SPONSOR'S INTEREST

Pursuant to the agreement dated 17th July 2000 entered into between the Company and DBS Asia Capital Limited ("DBS Asia"), DBS Asia will receive a fee for acting as the Company's retained sponsor for the period of two years commencing 25th July 2000. As at 31st December 2000, none of DBS Asia, its directors, employees and their associates had 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.

PENSION SCHEME ARRANGEMENTS

Details of the pension scheme arrangements are set out in note 10 to the accounts.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Cai Zuping
Chairman
Hong Kong, 29th March 2001

Auditors' Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

AUDITORS' REPORT TO THE SHAREHOLDERS OF
NEOLINK CYBER TECHNOLOGY (HOLDING) LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 22 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2000 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29th March 2001

Consolidated Profit and Loss Account

For the year ended 31st December 2000

	Notes	2000 HK$'000	1999 HK$'000
Turnover	3	**19,998**	22,787
Cost of sales and services		**(6,107)**	(8,493)
Gross profit		**13,891**	14,294
Other revenues	3	**447**	617
Distribution costs		**(2,920)**	(1,706)
Administrative expenses		**(19,698)**	(7,815)
(Loss)/profit from operations	4	**(8,280)**	5,390
Finance costs	5	**(101)**	(97)
(Loss)/profit before taxation		**(8,381)**	5,293
Taxation	6(a)	**(6)**	(118)
(Loss)/profit after taxation		**(8,387)**	5,175
Minority interests		**391**	(15)
(Loss)/profit for the year attributable to shareholders	7	**(7,996)**	5,160
Dividends	8	**–**	2,000
Basic (loss)/earnings per share	9	**(1.56) cents**	1.10 cents

Consolidated Balance Sheet

As at 31st December 2000

	Notes	2000 HK$'000	1999 HK$'000
Fixed assets	12(a)	**4,854**	2,695
Deposit for investment	13	**9,000**	–
Current assets			
Inventories	15	**2,121**	1,968
Trade receivables		**2,690**	5,826
Prepayments, deposits and other receivables		**4,505**	3,155
Amount due from ultimate holding company	16	**457**	–
Amounts due from related companies	17	**9,619**	1,485
Loan to a director	18	**300**	–
Tax recoverable	6(b)	**38**	–
Bank balances and cash	19	**8,142**	3,906
		27,872	16,340
Current liabilities			
Trade payables		**1,401**	717
Accruals and other payables		**5,912**	6,787
Amount due to a related company		**–**	118
Taxation payable		**–**	24
Bank loans – secured	23	**1,869**	1,402
		9,182	9,048
Net current assets		**18,690**	7,292
		32,544	9,987
Financed by:			
Share capital	20	**56,000**	46,825
Reserves	22(a)	**(23,456)**	(37,229)
Shareholders' funds		**32,544**	9,596
Minority interests		**–**	391
		32,544	9,987

CAI Zuping
Director

WAN Qiu Sheng
Director

Balance Sheet

As at 31st December 2000

	Notes	2000 HK$'000	1999 HK$'000
Fixed assets	12(b)	**607**	–
Deposit for investment	13	**9,000**	–
Investments in subsidiaries	14	**53,412**	–
Current assets			
Deposits and other receivables		**2,553**	–
Amount due from ultimate holding company	16	**70**	–
Loan to a director	18	**300**	–
Bank balances		**6,250**	–
		9,173	–
Current liabilities			
Accruals and other payables		**637**	300
Net current assets/(liabilities)		**8,536**	(300)
		71,555	(300)
Financed by:			
Share capital	20	**56,000**	–
Reserves	22(b)	**15,555**	(300)
Shareholders' funds/(deficit)		**71,555**	(300)

CAI Zuping
Director

WAN Qiu Sheng
Director

Consolidated Cash Flow Statement

For the year ended 31st December 2000

	Notes	2000 HK$'000	1999 HK$'000
Net cash (outflow)/inflow from operating activities	24	**(14,931)**	6,501
Returns on investments and servicing of finance			
Interest received		**311**	17
Interest on bank loans		**(101)**	(97)
Dividend paid to the then shareholders before the group reconstruction		**–**	(2,000)
Net cash inflow/(outflow) from returns on investments and servicing of finance		**210**	(2,080)
Taxation			
Income tax paid		**(68)**	(104)
Investing activities			
Purchase of fixed assets		**(2,986)**	(720)
Deposit paid for investment		**(9,000)**	–
Net cash outflow from investing activities		**(11,986)**	(720)
Net cash (outflow)/inflow before financing		**(26,775)**	3,597
Financing	25		
New bank loans raised		**1,869**	1,402
Bank loans repaid		**(1,402)**	(1,402)
Repayment of loan from shareholders		**–**	(3,233)
Net proceeds from issue of shares by the Company		**30,193**	–
Net proceeds from issue of shares by certain subsidiaries to the then shareholders before the group reconstruction		**775**	–
Net cash inflow/(outflow) from financing		**31,435**	(3,233)
Increase in cash and cash equivalents		**4,660**	364
Effect of foreign exchange rate changes		**(424)**	–
Cash and cash equivalents at 1st January		**3,906**	3,542
Cash and cash equivalents at 31st December		**8,142**	3,906
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**8,142**	3,906

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st December 2000

	Notes	2000 HK$'000	1999 HK$'000
Surplus on revaluation of leasehold land and buildings	22	**400**	–
Exchange differences arising on translation of subsidiaries	22	**(424)**	–
Net losses not recognised in the profit and loss account		**(24)**	–
(Loss)/profit for the year attributable to shareholders	22	**(7,996)**	5,160
Total recognised (losses)/gains		**(8,020)**	5,160

Notes to the Accounts

1. GROUP RECONSTRUCTION AND BASIS OF PREPARATION

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands on 13th October 1999.

(b) On 13th July 2000, pursuant to a group reconstruction (the "Reconstruction"), as described in Appendix IV of the prospectus of the Company dated 18th July 2000, to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. The Company issued 84,000,000 shares of HK$0.10 each at a premium of HK$0.33 to the public and had its shares listed on the GEM on 25th July 2000.

(c) The Reconstruction is accounted for using merger accounting in accordance with the requirements of the Hong Kong Statements of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions". Accordingly, the group accounts are prepared as if the Company had been the holding company of the Group throughout the accounting periods presented. In the opinion of the directors, the consolidated accounts prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

(d) The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

(i) The Reconstruction referred to in note 1(b) above has been accounted for using merger accounting.

(ii) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st December. Apart from the Reconstruction referred to in note 1(b) above, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant transactions between and among the Company and its subsidiaries are eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

(iii) Subsidiaries are companies in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the boards of directors.

(iv) The gain and loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

(v) Minority interests represents the interests of outside shareholders in the operating results and net assets of subsidiaries. The share of net liabilities of subsidiaries by minority shareholders is limited to their share of capital portion of those subsidiaries.

(vi) In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Fixed assets

(i) Leasehold land and buildings

Leasehold land and buildings are stated at valuation, being open market value for existing use at the date of revaluation, less accumulated amortisation or depreciation. Independent valuations are performed periodically. In the intervening years, the directors review the carrying value of the leasehold land and buildings and adjustment is made where there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and thereafter debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Amortisation of leasehold land is calculated to write off its cost over the unexpired periods of the leases on a straight-line basis. The principal annual rate used for this purpose is 1% per annum.

Depreciation of leasehold buildings is calculated to write off their cost on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is the shorter. The principal annual rate used for this purpose is 5% per annum.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Fixed assets *(continued)*

(ii) Other tangible fixed assets

Other tangible assets are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other cost incurred to bring the asset into its existing use. Depreciation of other tangible fixed assets is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Leasehold improvements	33% to 50%
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Computer equipment	33%
Motor vehicles	33%

(iii) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal. Excepted future cash flows have been discounted in determining the recoverable amount. The amount of the reduction to recoverable amount is charged to the profit and loss account, unless it reverses a previous revaluation increase, in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item or group of identical assets.

(iv) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(v) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

2. *PRINCIPAL ACCOUNTING POLICIES (continued)*

(c) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(d) Inventories

Inventories comprise raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(e) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(f) Deferred taxation

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(g) Translation of foreign currencies

Foreign currency transactions are translated into Hong Kong dollars at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as movements in reserves.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Retirement benefit costs

The Group's contributions to the retirement schemes are expensed as incurred.

(i) Research and development costs

Research and development costs are expensed as incurred, except where it is expected that the product under development will be profitable and will be produced and its technical feasibility has been demonstrated. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than five years to reflect the pattern in which the related economic benefits are recognised. During the year, all research and development costs are expensed in the profit and loss account.

(j) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and title has passed.

Revenue from technical services is recognised upon provision of the services.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3. *TURNOVER AND REVENUES*

The Group is principally engaged in provision of telemedia related technical services and radio trunking systems integration during the year. Revenues recognised during the year are as follows:–

	Group	
	2000	1999
	HK$'000	*HK$'000*
Technical service incomes		
Telemedia services	**4,502**	6,056
Repair and maintenance for radio trunking systems	**1,274**	1,414
	5,776	7,470
Sales of goods		
Telemedia equipment	**370**	963
Radio trunking systems	**13,852**	14,354
	14,222	15,317
Turnover	**19,998**	22,787
Interest income	**311**	17
Others	**136**	600
Other revenues	**447**	617
Total revenues	**20,445**	23,404

Please see note 27 to the accounts for details of related party transactions of the Group during the year.

4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after charging the followings:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Auditors' remuneration	**680**	300
Cost of inventories sold	**5,473**	7,584
Depreciation of owned fixed assets	**1,208**	465
Loss on disposal of fixed assets	**19**	8
Operating lease rental in respect of land and buildings	**2,303**	1,096
Net exchange loss	**51**	11
Provision for doubtful debts	**1,586**	–
Provision for slow-moving inventories, included in cost of inventories sold above	**374**	–
Research and development costs	**5,400**	1,237
Staff costs, including directors' emoluments	**11,006**	4,358

5. FINANCE COSTS

	Group	
	2000	1999
	HK$'000	*HK$'000*
Interest on bank loans	**101**	97

6. TAXATION

(a)

		Group	
	Note	**2000** **HK$'000**	1999 HK$'000
Hong Kong profits tax	(i)	**–**	–
Overseas taxation – current year	(ii)	**6**	118
		6	118

(i) No provision for Hong Kong profits tax has been made in the accounts as the Group has no estimated assessable profit for the year (1999: Nil).

(ii) Overseas taxation represented tax charges on the assessable profits of certain subsidiaries operating in the People's Republic of China (the "PRC") calculated at the applicable rates.

(iii) These was no material unprovided deferred taxation for the year.

(b) The tax recoverable in the consolidated balance sheet represents the excess of provisional profits tax paid over the provision required for overseas taxation.

7. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit for the year attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK$5,938,000 (1999: HK$300,000).

8. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

Dividends were paid by a subsidiary of the Company to its then shareholders outside the Group prior to the group reconstruction as follows:–

	2000 **HK$'000**	1999 HK$'000
Dividends paid	**–**	2,000

The dividend rates and the number of shares ranking for the dividends are not presented as such information for the purpose of this report, is not considered meaningful.

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to shareholders of HK$7,996,000 (1999: profit of HK$5,160,000) and the weighted average number of 512,591,781 shares in issue during the year (1999: 468,250,000 shares deemed to be in issue on 1st January 1999).

Diluted earnings per share for the year is not disclosed as there were no dilutive potential ordinary shares.

10. RETIREMENT BENEFIT COSTS

The Group did not provide retirement benefits for its employees in Hong Kong before 1st December 2000. With effect from 1st December 2000, a mandatory provident fund scheme has been set up for all the eligible employees of the Group in Hong Kong. The mandatory provident fund scheme is a defined contribution retirement scheme and the contributions to the fund by the Group and employees are calculated as a percentage of employees' basic salaries.

The subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes, organised by relevant local government authorities to the staff in the PRC. The subsidiaries are required to make contributions to the retirement schemes, at a rate of 20% to 23% of the basic salary of their employees in the PRC.

The Group's total contributions paid for the above schemes during the year are HK$424,000 (1999: HK$274,000).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments of the directors of the Company during the year are as follows:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Fees	**240**	–
Other emoluments		
– Basic salaries and allowances	**1,560**	–
– Retirement scheme contributions	**4**	–
	1,804	–

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

Directors' fees disclosed above were paid to the two independent non-executive directors of the Company of HK$120,000 (1999: Nil) each.

The executive directors received individual emoluments for the year ended 31st December 2000 of approximately HK$421,000 (1999: HK$Nil), HK$421,000 (1999: HK$Nil), HK$361,000 (1999: HK$Nil) and HK$361,000 (1999: HK$Nil) respectively.

No director waived or agreed to waive any of their emoluments in respect of the years ended 31st December 2000 and 1999.

(b) Five highest paid individuals

The five indivduals whose emoluments were the highest in the Group are as follows:-

	Number of individuals	
	2000	1999
Directors	**3**	–
Non-directors	**2**	5
	5	5

Details of the emoluments of non-directors as mentioned above are as follows:–

	Group	
	2000	1999
	HK$'000	*HK$'000*
Basic salaries and allowances	**919**	1,752
Retirement scheme contributions	**2**	–
	921	1,752

The emoluments of non-directors fall within the following bands:–

	Number of individuals	
	2000	1999
Nil to HK$1,000,000	2	5

11. *DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)*

(c) During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

12. *FIXED ASSETS*

(a) Group

	Land and buildings under long leases outside Hong Kong	Leasehold improve-ments	Plant and machinery	Furniture, fixtures and equipment	Computer Equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation							
At 1st January 2000	1,563	344	836	1,265	1,070	306	5,384
Additions	–	854	27	1,234	871	–	2,986
Revaluation	167	–	–	–	–	–	167
Disposals	–	–	(50)	(58)	(74)	–	(182)
At 31st December 2000	**1,730**	**1,198**	**813**	**2,441**	**1,867**	**306**	**8,355**
Accumulated depreciation							
At 1st January 2000	179	175	701	778	558	298	2,689
Charge for the year	67	489	65	245	334	8	1,208
Revaluation	(233)	–	–	–	–	–	(233)
Disposals	–	–	(45)	(51)	(67)	–	(163)
At 31st December 2000	**13**	**664**	**721**	**972**	**825**	**306**	**3,501**
Net book value							
At 31st December 2000	**1,717**	**534**	**92**	**1,469**	**1,042**	**–**	**4,854**
At 31st December 1999	1,384	169	135	487	512	8	2,695

12. FIXED ASSETS *(continued)*

(a) Group *(continued)*

The analysis of the cost or valuation of the above assets at 31st December 2000 is as follows:

	Land and buildings under long leases outside Hong Kong *HK$'000*	Leasehold improve-ments *HK$'000*	Plant and machinery *HK$'000*	Fumiture, fixtures and equipment *HK$'000*	Computer Equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At cost	–	1,198	813	2,441	1,867	306	6,625
At 2000 valuation *(note (c))*	1,730	–	–	–	–	–	1,730
	1,730	**1,198**	**813**	**2,441**	**1,867**	**306**	**8,355**

(b) Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Computer Equipment *HK$'000*	Total *HK$'000*
Cost				
At 1st January 2000	–	–	–	–
Additions	179	196	282	657
At 31st December 2000	**179**	**196**	**282**	**657**
Accumulated depreciation				
At 1st January 2000	–	–	–	–
Charge for the year	27	7	16	50
At 31st December 2000	**27**	**7**	**16**	**50**
Net book value				
At 31st December 2000	**152**	**189**	**266**	**607**
At 31st December 1999	–	–	–	–

12. FIXED ASSETS *(continued)*

(c) This represents a property which was revalued at 31st May 2000 on the basis of open market value in existing use by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers. The surplus arising on revaluation has been credited to the revaluation reserve account (note 22). The revaluation of the property does not constitute a timing difference for tax purposes.

(d) At 31st December 2000, the land and buildings of the Group with a carrying value of HK$1,717,000 (1999: HK$1,384,000) was pledged to a bank for facilities granted to a subsidiary (note 23).

(e) The carrying amount of the land and buildings would have been HK$1,330,000 (1999: HK$1,384,000) had they been stated at cost less accumulated depreciation.

13. DEPOSIT FOR INVESTMENT – GROUP AND COMPANY

The balance represents a deposit paid by the Group for the acquisition of all the assets (both tangible and intangible), business and rights of Shenzhen Hua Dian Computer Technology Company Limited ("Shenzhen Hua Dian"), a company established in the PRC and is engaged in the research and development, production and sale of hand-held computer products. Please refer to note 28(b) for details of the acquisition.

14. INVESTMENT IN SUBSIDIARIES – COMPANY

	2000 ***HK$'000***	1999 *HK$'000*
Unlisted shares, at cost *(note (a))*	**47,600**	–
Amounts due from subsidiaries *(note (b))*	**6,381**	–
Amounts due to subsidiaries *(note (b))*	**(569)**	–
	5,812	–
	53,412	–

14. INVESTMENT IN SUBSIDIARIES – COMPANY *(continued)*

(a) The following is a list of the principal subsidiaries of the Company as at 31st December 2000:

Company	**Country/ place of incorporation/ establishment**	**Issued and fully paid up capital**	**Attributable equity interest** %	**Principal activities**
Shares held directly:–				
Neolink Communications Technology (BVI) Limited	British Virgin Islands	Ordinary US$50,000	100	Investment holding
Neolink Information Technology (BVI) Limited	British Virgin Islands	Ordinary US$50,000	100	Investment holding
Neolink Sky Internet (BVI) Limited	British Virgin Islands	Ordinary US$50,000	100	Investment holding
Shares held indirectly:–				
Neolink Communications Technology Limited	Hong Kong	Ordinary HK$10,000	100	Investment holding and marketing of radio trunking systems
China Gocom Information Limited (formerly known as Neolink Information Technology Limited)	Hong Kong	Ordinary HK$10,000	100	Investment holding
China Gocom Internet Limited (formerly known as Neolink Sky Internet Limited)	Hong Kong	Ordinary HK$10,000	100	Investment holding

14. INVESTMENT IN SUBSIDIARIES – COMPANY *(continued)*

(a) *(continued)*

Company	Country/ place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest %	Principal activities
Shares held indirectly:– *(continued)*				
Beijing Neolink Information Technology Company Limited	The PRC	US$300,000	100	Trading of products relating to telemedia system and provision of relevant and related technical services
Beijing Neolink Sky Internet Technology Company Limited	The PRC	US$300,000	100	Provision of internet solutions and relevant and related technical services
Hangzhou Neolink Communication Equipment Company Limited	The PRC	US$290,000	80	Design, production and sale of radio trunking systems
Neolink Electronic Technology (Beijing) Company Limited	The PRC	US$200,000	100	Marketing and software development of radio trunking systems
Neolink Electronic Technology (Shenzhen) Company limited	The PRC	US$300,000	100	Engineering and sales of radio trunking systems related hardware and software

(b) Amounts due from/(to) subsidiaries are unsecured, interest-free and with no fixed terms for repayment.

15. INVENTORIES

	Group	
	2000	1999
	HK$'000	*HK$'000*
Raw materials	**1,176**	1,166
Work in progress	**362**	301
Finished goods	**918**	903
Less: provision	**(335)**	(402)
	2,121	1,968

16. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

Name	Terms	Maximum amount outstanding during the year *HK$'000*	Amount outstanding at 31st December 2000 *HK$'000*	Amount outstanding at 31st December 1999 *HK$'000*
Group				
Infonet Group Company Limited	Unsecured, interest-free and with no fixed terms of repayment	457	457	–
Company				
Infonet Group Company Limited	Unsecured, interest-free and with no fixed terms of repayment	70	70	–

At 31st December 2000, no provision had been made for non-repayment of the loan. The amount was subsequently settled after the year end.

17. AMOUNTS DUE FROM RELATED COMPANIES – GROUP

The amounts due from related companies represent trade receivables by the Group from Beijing Haoyuan Yingte Technology Development Company Limited ("Haoyuan Yingte"), Hainan Baotong Communication System Company Limited ("Baotong") and Wuxi Public Information Network Company Limited ("Wuxi Network"). The amounts are unsecured, interest-free and with no fixed terms of repayment, expect for the amount due from Haoyuan Yingte which is subject to a credit period of 45 days after the end of each quarter and overdue interest at prevailing market rate. Please refer to note 27 to the accounts for the details of the above related companies.

18. LOAN TO A DIRECTOR – GROUP AND COMPANY

Name	Terms	Maximum amount outstanding during the year *HK$'000*	Amount outstanding at 31st December 2000 *HK$'000*	Amount outstanding at 31st December 1999 *HK$'000*
Mr. WAN Qiu Sheng	Unsecured, interest bearing at prime rate plus 2% per annum and repayable on 15th February 2001	300	300	–

At 31st December 2000, there was no interest due and outstanding and no provision had been made for non-repayment of the loan.

19. BANK BALANCES AND CASH – GROUP

Included in the bank balances and cash of the Group are deposits placed with banks in the PRC of approximately HK$1,483,000 (1999: HK$2,649,000).

20. SHARE CAPITAL

	2000 HK$	1999 HK$
Authorised		
1,000,000,000 (1999: 3,800,000) *(note (b))* ordinary shares of HK$0.1 each	**100,000,000**	380,000
Issued and fully paid		
Group		
560,000,000 (1999: 468,250,000 deemed to to be issued *(note (a))* ordinary shares of HK$0.1 each	**56,000,000**	46,825,000
Company		
560,000,000 (1999:1) *(note (b))* ordinary shares of HK$0.1 each	**56,000,000**	0.1

(a) The share capital as at 31st December 1999 represented the issued and fully paid share capital of the Company, arising from the Reconstruction as described in note 1(b) above, which was deemed to have been issued throughout the accounting years in accordance with the basis of accounting referred to in note 1.

(b) The Company was incorporated on 13th October 1999 with an authorised capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each of which one share was allotted and issued at par to the subscriber on the date of incorporation.

(c) In preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the following changes in authorised and issued share capital of the Company took place on 13th July 2000:

(i) The authorised share capital of the Company was increased to HK$100,000,000 by the creation of an additional 996,200,000 shares of HK$0.1 each.

(ii) As consideration for the acquisition by the Company of the entire issued capital of Neolink Sky Internet (BVI) Limited, Neolink Communications Technology (BVI) Limited and Neolink Information Technology (BVI) Limited (together as the "acquired companies"), an aggregate of 475,999,999 shares of HK$0.1 each, credited as fully paid, were issued and allotted to Aspiring International Investment (Group) Limited ("AIIG"), the then shareholder of the acquired comprises.

20. SHARE CAPITAL *(continued)*

(d) On 25th July 2000, 84,000,000 shares of HK$0.1 each were issued to the public at a premium of HK$0.33 per share for cash totalling HK$36,120,000 (the "New Issue"). The excess of the issue price over the par value of the shares issued, net of listing expenses incurred, has been credited to the share premium account of the Company.

(e) Subsequent to the year ended 31st December 2000, 14,800,000 shares of the Company were allotted and issued at a premium of HK$0.847 per share for the acquisition of Shenzhen Max Com Industrial Development Limited ("Shenzhen Max Com"). For details please refer to note 28(a).

21. SHARE OPTIONS

On 13th July 2000, a share option scheme was approved by a written resolution of the then sole shareholder of the Company under which the executive directors may, at their discretion, grant options to themselves and the full-time employees of the Group entitling them to subscribe for shares representing up to a maximum of 10% of the shares in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme). No share options were granted by the Company during the year.

Subsequent to the year end, share options were granted to an executive director and certain employees of the Group pursuant to the share option scheme as follows:–

Date of grant	Exercise price *HK$*	Exercisable period	No. of options
Executive director			
5th January 2001	0.72	5th January 2004 to 4th January 2008	10,000,000
Employees			
5th January 2001	0.72	5th January 2004 to 4th January 2008	20,000,000

22. RESERVES

(a) Group

	Share premium HK$'000	Merger reserve (note (ii)) HK$'000	Revaluation reserve HK$'000	General reserve (note (i)) HK$'000	Enterprise expansion fund (note (i)) HK$'000	Exchange reserve HK$'000	Retained earnings/ (accumulated loss) HK$'000	Total HK$'000
At 1st January 1999	–	(46,815)	–	1,441	27	409	4,549	(40,389)
Profit for the year attributable to shareholders	–	–	–	–	–	–	5,160	5,160
Dividends paid to the then shareholders prior to the group reconstruction *(note 8)*	–	–	–	–	–	–	(2,000)	(2,000)
Transfer from retained earnings to statutory reserves	–	–	–	305	13	–	(318)	–
At 1st January 2000	–	(46,815)	–	1,746	40	409	7,391	(37,229)
Premium on issue of shares *(note 20(d))*	27,720	–	–	–	–	–	–	27,720
Share issue expenses *(note 20(d))*	(5,927)	–	–	–	–	–	–	(5,927)
Surplus on revaluation of land and buildings	–	–	400	–	–	–	–	400
Loss for the year attributable to shareholders	–	–	–	–	–	–	(7,996)	(7,996)
Transfer from retained earnings to statutory reserves	–	–	–	390	10	–	(400)	–
Exchange differences	–	–	–	–	–	(424)	–	(424)
At 31st December 2000	**21,793**	**(46,815)**	**400**	**2,136**	**50**	**(15)**	**(1,005)**	**(23,456)**

22. RESERVES *(continued)*

(a) Group *(continued)*

(i) General reserve and enterprise expansion fund

The general reserve and enterprise expansion fund are set up by subsidiaries established and operated in the PRC by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the "Accounting Regulations of the People's Republic of China for Enterprises with Foreign Investment", if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

(ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the Reconstruction. Please refer to note 20 (a) for details.

(b) Company

	2000	1999
	HK$'000	*HK$'000*
Share premium *(note (i))*		
At 1st January	**–**	–
Premium on issue of shares	**27,720**	–
Share issue expenses	**(5,927)**	–
At 31st December	**21,793**	–
Accumulated losses		
At 1st January	**(300)**	–
Loss for the year	**(5,938)**	(300)
At 31st December	**(6,238)**	(300)
	15,555	(300)

22. RESERVES *(continued)*

(b) Company *(continued)*

(i) Share premium

Under section 34 of the Companies Law (2000 Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

23. BANK LOANS – SECURED

	2000	1999
	HK$'000	*HK$'000*
Wholly repayable within one year	**1,869**	1,402

The bank loans are interest bearing at prevailing market rates and secured by a legal charge on all the land and buildings held by the Group with net book value of HK$1,717,000 (1999: HK$1,384,000) as at 31st December 2000 (note 12(d)).

24. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW)/ INFLOW FROM OPERATING ACTIVITIES

	Group	
	2000	1999
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(8,381)**	5,293
Interest income	**(311)**	(17)
Interest on bank loans	**101**	97
Depreciation of fixed assets	**1,208**	465
Loss on disposal of fixed assets	**19**	8
(Increase)/decrease in inventories	**(153)**	826
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables	**1,786**	(7,039)
Increase in amount due from ultimate holding company	**(457)**	–
(Increase)/decrease in amounts due from related companies	**(8,134)**	2,589
Increase in loan to a director	**(300)**	–
(Decrease)/increase in trade payables, accruals and other payables	**(191)**	4,568
Decrease in amount due to a related company	**(118)**	(289)
Net cash (outflow)/inflow from operating activities	**(14,931)**	6,501

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital including premium (note (i))		Loans from shareholders		Bank loans	
	2000	1999	2000	1999	2000	1999
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January	46,825	46,825	–	3,233	1,402	1,402
Repayment of loans from shareholders	–	–	–	(3,233)	–	–
Bank loans repaid	–	–	–	–	(1,402)	(1,402)
New bank loans raised	–	–	–	–	1,869	1,402
Net proceeds from issue of shares by the Company	30,193	–	–	–	–	–
Net proceeds from issue of shares by certain subsidiaries before the group reconstruction	775	–	–	–	–	–
At 31st December	77,793	46,825	–	–	1,869	1,402

(i) The share capital as at 1st January 2000 and 1999 represent the share capital of the Company which was deemed to have in issue throughout the accounting years as mentioned in note 20 (a) above.

26. COMMITMENTS – GROUP

(a) At 31st December 2000, the Group had commitments under operating leases to make payments in the next twelve months which expire as follows:

	2000		1999	
	Land and buildings	Motor vehicles	Land and buildings	Motor vehicles
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	883	–	304	–
In the second to fifth years inclusive	891	696	1,254	–
	1,774	696	1,558	–

26. COMMITMENTS – GROUP *(continued)*

(b) Other commitments

At 31st December 2000, the Group had commitments to make payments in respect of retained sponsor fees in total amount of HK$600,000 for the next two years.

27. RELATED PARTY TRANSACTIONS

During the year, the Group undertook the following material transactions with its related companies in the normal course of business at terms mutually agreed between the Group and the counter parties:

		Group	
		2000	1999
	Note	***HK$'000***	*HK$'000*
Sale of equipment and provision of technical services to:			
Haoyuan Yingte	*(i)*	**3,862**	7,019
Baotong	*(i)*	**8,511**	–
Dayou Communications Development Company Limited ("Dayou")	*(ii)*	**–**	293
Wuxi Network	*(iii)*	**1,009**	–
Rental payable to AIIG	*(iv)*	**173**	231
Acquisition of fixed assets from Infonet Group Company Limited, the ultimate holding company		**411**	–

(i) Mr. WONG Chit On and Mr. CAI Zuping, directors of the Company, had beneficial interests in Haoyuan Yingte and Baotong. In March 2000, their beneficial interests were transferred to their relatives respectively.

(ii) Dayou is 80% owned by Mr. WONG Chit On and Mr. CAI Zuping, directors of the Company, in aggregate.

(iii) Wuxi Network is 80% owned by Haoyuan Yingte.

(iv) AIIG is 50% held by Mr. WONG Chit On and Mr. CAI Zuping, directors of the Company, respectively.

28. SUBSEQUENT EVENTS

(a) On 30th January 2001, Neolink Electronic Technology (Shenzhen) Company Limited ("Neolink Shenzhen"), a wholly-owned subsidiary of the Company, has entered into a conditional agreement with an independent third party (the "Seller") for the acquisition of 55% equity interest in Shenzhen Max Com, a company established in the PRC and is engaged in the production of telecommunication equipment. The total consideration will be HK$14,950,180, which is to be satisfied by:

(i) the allotment and issue of 14,800,000 shares of the Company at an issue price of HK$0.947 per share; and

(ii) a cash consideration of HK$934,580.

Under the agreement, the Seller has irrevocably guaranteed to the Company that the net profit of Shenzhen Max Com shall not be less than RMB5,000,000 for the financial year ending 31st December 2001.

The acquisition was completed on 3rd March 2001 and 14,800,000 shares were issued by the Company on that date.

(b) On 6th March 2001, Neolink Shenzhen has entered into a sale and purchase agreement with an independent third party for the acquisition of all the assets (both tangible and intangible), business and rights of Shenzhen Hua Dian, a company established in the PRC and is engaged in research and development, production and sale of hand-held computer products. The total consideration will be HK$14,693,458, which is to be satisfied by:

(i) the allotment and issue of 4,000,000 shares of the Company at an issue price of HK$1.40 per share; and

(ii) a cash consideration of HK$9,093,458, of which HK$9,000,000 was paid by the Group as deposit as at 31st December 2000 (note 13).

The above acquisition is expected to be completed by the end of March 2001.

(c) Subsequent to the year ended 31st December 2000, share options were granted to an executive director and certain employees of the Group. Please refer to note 21 to the accounts for details.

29. ULTIMATE HOLDING COMPANY

The directors regard Infonet Group Company Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

30. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 29th March 2001.

Financial Summary

	Year ended 31st December		
	2000	1999	1998
	HK$'000	HK$'000	HK$'000
Results			
(Loss)/profit attributable to shareholders	**(7,996)**	5,160	9,964
Assets and liabilities			
Total assets	**41,726**	19,035	14,800
Total liabilities	**(9,182)**	(9,439)	(8,364)
Shareholders' funds	**32,544**	9,596	6,436

Note:

On 13th July 2000, pursuant to a group reconstruction (the "Reconstruction"), as described in Appendix IV of the prospectus of the Company dated 18th July 2000, to rationalise the structure of the Group in preparation for the lising of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group. The Company's shares were listed on the GEM on 25th July 2000.

The Reconstruction is accounted for using merger accounting in accordance with the requirement of the Hong Kong Statements of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions". Accordingly, the financial summary above are prepared as if the Company had been the holding company of the Group throughout the accounting periods presented.