



**Neolink Cyber Technology (Holding) Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

**2001**

**First Quarterly Report**

## **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 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.**

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*The Directors collectively and individually accept full responsibility for this announcement 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 announcement 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 announcement have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.*

## **CHAIRMAN'S STATEMENT**

I am pleased to announce the quarterly results of Neolink Cyber Technology (Holding) Limited (the "Company") and its subsidiaries (the "Group") for the three months ended 31st March, 2001.

Our total turnover was approximately HK\$10,558,000 for the three months ended 31st March, 2001 which is about three times more than the same period last year. Besides, the profit attributable to shareholders for the three months ended 31st March, 2001 was approximately HK\$515,000. This is the first time the Group recorded a quarterly profit after the listing of the shares of the Company on GEM of the Stock Exchange.

After the listing of the shares of the Company, the Group has been actively adjusting the business strategies and structure in response to the market changes and has achieved steady progress. Telemedia business is still struggling in tough market environment. Radio trunking business is developing towards vehicle information service system. Internet business is actively looking for business opportunities which can strike a balance between investment risks and profit/cashflow contribution. Above all, the Group has successfully enriched its business portfolio by acquiring 55 per cent. equity interest of a manufacturing company in mobile telecom base station equipment and acquiring a wireless personal digital assistant ("PDA") project.

We believe that the strategic adjustments made in response to the market changes will bring positive impact on the business development of the Company. The Group will continue to rely on its strength in R&D to build its competitive advantage in the changing market environment.

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 which will be of utmost importance to the business success of the Group in the future.

I also wish to express our deepest gratitude to our shareholders, our customers and our business partners for their continual support which is indispensable for the further development of the Group.

## PROFIT AND LOSS ACCOUNT

The Board of Directors of the Company is pleased to announce that the unaudited consolidated results of the Group for the three months ended 31st March, 2001 and the comparative figures of the unaudited combined results for the corresponding three months period in 2000 are set out below:

		<b>For the three months ended 31st March</b>	
		<b>2001</b>	<b>2000</b>
	<i>Notes</i>	<b>Unaudited</b> <i>HK\$ '000</i>	<b>Unaudited</b> <i>HK\$ '000</i>
Turnover			
– Telemedia		835	827
– Radio trunking		5,990	2,540
– Telecom products		3,733	0
		<u>          </u>	<u>          </u>
	2	10,558	3,367
Cost of telemedia		(265)	(43)
Cost of radio trunking		(1,796)	(1,195)
Cost of telecom products		(1,889)	0
		<u>          </u>	<u>          </u>
Gross profit		6,608	2,129
Other revenues	2	217	387
Distribution costs		(1,010)	(452)
Administrative expenses		(4,577)	(3,994)
		<u>          </u>	<u>          </u>
Profit/(Loss) from operations		1,238	(1,930)
Finance costs	3	(46)	(26)
		<u>          </u>	<u>          </u>
Profit/(Loss) before taxation		1,192	(1,956)
Taxation	4	0	(17)
Profit/(Loss) after taxation		1,192	(1,973)
Minority interests		(677)	104
		<u>          </u>	<u>          </u>
Profit/(Loss) attributable to shareholders		<u>          </u> 515	<u>          </u> (1,869)
Earnings/(Loss) per Share			
– Basic	5	<u>          </u> 0.091 cent	<u>          </u> (0.393) cent

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 reflect the results of all companies now comprising the Group as if the current Group structure had been in existence throughout the periods covered by this announcement and, where applicable, from the respective date of the acquisition by the Group, whichever is later.

### 2. Revenue and Turnover

	<b>For the three months ended 31st March</b>	
	<b>2001</b>	<b>2000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Technical service income		
– Telemedia services	835	827
– Repair and maintenance for radio trunking systems	648	532
	<u>1,483</u>	<u>1,359</u>
Sales of goods		
– Telemedia equipment	–	–
– Radio trunking systems	5,342	2,008
– Telecom products	3,733	–
	<u>9,075</u>	<u>2,008</u>
Turnover	10,558	3,367
Interest income	28	5
Others	189	382
	<u>10,775</u>	<u>3,754</u>

### 3. Finance Costs

	<b>For the three months ended 31st March</b>	
	<b>2001</b>	<b>2000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	45	26

#### 4. Taxation

The taxation charge comprises:-

		<b>For the three months ended 31st March</b>	
		<b>2001</b>	<b>2000</b>
		<b>Unaudited</b>	<b>Unaudited</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	(i)	-	-
Overseas taxation – Current	(ii)	-	17

- (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 operated 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 approval 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, 31st December, 2000 and 31st December, 2001 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/(loss) per share**

The calculation of the basic earnings/(loss) per share for the three months ended 31st March, 2001 is based on the unaudited consolidated profit attributable to shareholders of the Group of approximately HK\$515,000 (2000: loss of approximately HK\$1,869,000) and the weighted average number of 564,768,889 (2000: 476,000,000) shares outstanding. The 476,000,000 shares outstanding as a result of the Group's reorganisation prior to its initial public offer of its shares in July 2000 are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1st January, 2000.

## **DIVIDEND**

In order to ensure sufficient capital for future business development, the Board of Directors has resolved not to pay a quarterly dividend for the three months ended 31st March, 2001 (2000-Nil).

## **BUSINESS REVIEW**

### *RADIO TRUNKING SYSTEMS AND INTEGRATION*

In the three months ended 31st March, 2001, radio trunking systems and integration recorded about HK\$6 million sales turnover. This is mainly contributed by the sales of telecom equipment to Laos government through a Chinese government-supported export contract. Part of the order has already been delivered in the first quarter of this year. We expect this contract to bring further overseas business opportunities to the Group in the future. Other than the Laos contract, the Group also continues to deliver telecom equipment to government department via Hainan Baotong Communication System Co., Ltd. ("Baotong") which has orders postponed from last year. In R&D, the Group is working on the provision of information services through terminals installed in vehicles based on GSM network. The target users will extend from the existing taxi market which the Group has been operating for some years to all other vehicles in general public. The function of Neolink's products will also enhance from solely vehicle despatch system to cover also information services provision. The new products are expected to be launched in the second half of this year.

### *PROVISION OF TELEMEDIA-RELATED SERVICES*

Telemedia business is still operating in tough market environment. The Group is monitoring very closely the market development and the impact of such market changes on the operation and financial status of Beijing Haoyuan Yingte Technology Development Co., Ltd. ("Haoyuan Yingte"). Subsequent to the late settlement of the outstanding technical services fees for 2000 by Haoyuan Yingte in the first quarter of 2001, the Group has noted that the financial status of Haoyuan Yingte has become stable. But the Group cannot see any major breakthrough opportunity in the market in the short run.

## PROVISION OF TELECOM BASE STATION EQUIPMENT

The Group has acquired 55 per cent. equity interest of Shenzhen Max Com Industrial Development Company Limited (“Shenzhen Max Com”) in March 2001. The principal activity of Shenzhen Max Com is the production of paging signal transmitters, GPS-based multiplexers and the signal amplifiers for GSM and CDMA base stations. Shenzhen Max Com has received orders for its newly developed GSM signal amplifiers from major mobile telecom network operators in China. To tap the emerging market demand for CDMA equipment, Shenzhen Max Com has also started its R&D and expected to add CDMA signal amplifiers to its product portfolio as soon as possible.

## WIRELESS PDA

The Group has also acquired all the business, assets and rights of Shenzhen Hua Dian Computer Technology Company Limited (the “Hua Dian Project”) in April 2001. The Hua Dian Project is related to the R&D, manufacturing and marketing of wireless PDA under the brand name of “Hua Dian” in China. The R&D of the first generation of wireless PDA which has the capacity of wireless signal transmission has already been completed successfully. Sales are expected to commence in the second or third quarter of this year through major distribution networks of telecom products or services providers.

## OUTLOOK

The Company expects that the telecom and information market will continue to be volatile in 2001. But the Directors of the Company believe that the Group has been reacting appropriately to the market changes which provides good business opportunities. And the performance of the Group in the first quarter of this year has laid down a good foundation for the results in the forthcoming quarters.

The Group will continue to be a major supplier of PRC government use radio trunking systems in the foreseeable future. We also expect significant results from overseas market with the close co-operation with Motorola.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2001, 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
Cai Zuping ( <i>Note 1</i> )	–	–	192,923,808	–
Wan Qiu Sheng ( <i>Note 1</i> )	–	–	10,899,672	–
Wong Chit On ( <i>Note 1</i> )	–	–	192,923,808	–
Zhang Zheng ( <i>Note 1</i> )	–	–	7,266,420	–

*Note 1:* Cai Zuping, Wan Qiu Sheng, Wong Chit On and Zhang Zheng hold their respective attributable interests in the Company through their shareholdings in Infonet Group Co., Ltd. which holds 72.56% of the total issued share capital of the Company.



## SHARE OPTION SCHEME

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 per cent. of the shares in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme).

On 5th January, 2001, share options were granted to an executive director and certain employees of the Group pursuant to the share option scheme as follows:—

Name	Position	Number of Shares under option	Exercisable period	Exercise price per Share
Zhang Zheng	Executive Director	10,000,000	5th January 2004 to 4th January 2008	HK\$0.72
Lu Chunming	Senior management staff	10,000,000	5th January 2004 to 4th January 2008	HK\$0.72
Chen Huanming	Senior management staff	10,000,000	5th January 2004 to 4th January 2008	HK\$0.72

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except the share options disclosed above, at no time during the three months ended 31st March, 2001 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 31st March, 2001, the holders of 10 per cent. or more of Shares of the Company were as follows:—

Name	Number of Shares	Percentage of Shareholding (%)
Infonet Group Co., Ltd. (Note 1)	420,000,000	72.56

*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 Cai Zuping;
- 2.59 per cent. by Wan Qiu Sheng;
- 45.93 per cent. by Wong Chit On;
- 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 Mi 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, Cai Zuping and Wong Chit On are substantial shareholders of the Company for the purpose of the GEM Listing Rules.

## **SPONSOR'S INTERESTS**

Pursuant to the agreement dated 17th July, 2000 and entered into between the Company and DBS Asia Capital Limited (“DBS”), DBS 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 March, 2001, none of DBS, 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.

## **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 comprised two independent non-executive directors of the Company, namely Mr. Chan Wai Dune and Mr. Kong Li Szu. Mr. Kong resigned as independent non-executive director of the Company with effect

from 15th April, 2001. The Company has not yet appointed any independent non-executive director in place of the said resigned director. Therefore, with effect from the said resignation, the Company has fewer than two independent non-executive directors or is unable to comply with Rules 5.05 and 5.23 of the GEM Listing Rules. On 24th April, 2001, the Company received the Stock Exchange's letter granting the waiver from strict compliance with Rules 5.05 and 5.23 on the condition that the Company will re-comply with the requirements set out in those rules by 17th May, 2001. The Company is now in progress to appoint a new independent non-executive director and expects that compliance resumes on or before 17th May, 2001.

### **COMPETING INTERESTS**

During the three months ended 31st March, 2001, 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 three months ended 31st March, 2001.

By Order of the Board

**Cai Zuping**

*Chairman*

Hong Kong, 11th May, 2001