



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

2001

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

CHAIRMAN'S STATEMENT

I am pleased to announce the results of Neolink Cyber Technology (Holding) Limited (the "Company") and its subsidiaries (together, the "Group") for the three and nine months ended 30 September 2001.

Our total turnover was approximately HK\$6,527,000 for the three months ended 30 September 2001 which is four times higher than the same period last year. Turnover for the nine months ended 30 September 2001 was approximately HK\$29,212,000 which represents 288% growth from the same period year ago. Loss attributable to shareholders for the three and nine months ended 30 September 2001 was approximately HK\$2,832,000 and HK\$2,773,000 respectively which both indicate significant reduction versus corresponding periods in 2000. Due to the seasonality characteristics of the sales and product delivery of the Group, we expect to have even better performance in the fourth quarter of 2001.

In the three months ended 30 September 2001 the most significant activity of the Company is the shareholding change within Infonet Group Co., Ltd. ("Infonet"), the controlling shareholder of the Company. Qing Jiang (Hong Kong) Holdings Limited ("Qing Jiang HK") becomes the second largest shareholder of Infonet. The beneficial owner of Qing Jiang HK is Hubei Qing Jiang Hydro-electric Development Company Limited which is a very successful government-owned enterprise in China. Mr. Wang Dingguo, Chairman of Qing Jiang HK, was also appointed as the Vice Chairman of the Company. With the introduction of Qing Jiang HK into Infonet, we expect the business of the Company will achieve further business breakthroughs with the help of Qing Jiang HK's immense business resources in China.

Another significant achievement is that Shenzhen Max Com Industrial Development Company Limited ("Shenzhen Max Com") has already been confirmed by China United Telecommunications Corporation ("China Unicom") on its status as a qualified equipment supplier of code division multiple access (CDMA) signal amplifiers. 55% equity interest of Shenzhen Max Com was acquired by the Group in the first quarter of 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 which is certainly a crucial factor for the continued business success of the Company.

I also wish to express our deepest gratitude to our customers, our business partners and our shareholders for their 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 and nine months ended 30 September 2001 and the comparative figures of the unaudited combined results for the corresponding periods in 2000 are set out below:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2001 Unaudited HK\$'000	2000 Unaudited HK\$'000	2001 Unaudited HK\$'000	2000 Unaudited HK\$'000
Turnover					
- Telemedia		855	980	2,567	3,178
- Radio trunking		4,942	316	17,032	4,341
- Telecom products		730	0	9,613	0
	2	<u>6,527</u>	<u>1,296</u>	<u>29,212</u>	<u>7,519</u>
Cost of telemedia		(637)	(41)	(1,542)	(175)
Cost of radio trunking		(1,751)	(233)	(5,295)	(2,330)
Cost of telecom products		(464)	0	(4,794)	0
Gross profit		<u>3,675</u>	<u>1,022</u>	<u>17,581</u>	<u>5,014</u>
Other revenues	2	45	365	476	816
Distribution costs		(1,290)	(841)	(3,599)	(1,750)
Administrative expenses		(5,934)	(5,029)	(16,254)	(13,114)
Profit/(Loss) from operations		<u>(3,504)</u>	<u>(4,483)</u>	<u>(1,796)</u>	<u>(9,034)</u>
Finance costs	3	<u>(61)</u>	<u>(31)</u>	<u>(173)</u>	<u>(107)</u>
Profit/(Loss) before taxation		<u>(3,565)</u>	<u>(4,514)</u>	<u>(1,969)</u>	<u>(9,141)</u>
Taxation	4	(11)	(26)	(58)	(70)
Profit/(Loss) after taxation		<u>(3,576)</u>	<u>(4,540)</u>	<u>(2,027)</u>	<u>(9,211)</u>
Minority interests		<u>744</u>	<u>133</u>	<u>(746)</u>	<u>351</u>
Profit/(Loss) attributable to shareholders		<u>(2,832)</u>	<u>(4,407)</u>	<u>(2,773)</u>	<u>(8,860)</u>
Earnings/(Loss) per Share					
- Basic	5	<u>(0.49) cent</u>	<u>(0.82) cent</u>	<u>(0.48) cent</u>	<u>(1.78) cent</u>

Notes:

1. Basis of preparation

The Company was incorporated in the Cayman Islands on 13 October 1999 under the Companies Law of the Cayman Islands and the reorganization 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 acquisitions by the Group, whichever is later.

2. Revenue and turnover

	For the three months ended 30 September		For the nine months ended 30 September	
	2001	2000	2001	2000
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Technical service income				
– Telemedia services	855	980	2,567	3,178
– Repair and maintenance for radio trunking systems	72	0	1,028	533
	<u>927</u>	<u>980</u>	<u>3,595</u>	<u>3,711</u>
Sales of goods				
– Telemedia equipment	0	0	0	0
– Radio trunking systems	4,870	316	16,003	3,808
– Telecom products	730	0	9,614	0
	<u>5,600</u>	<u>316</u>	<u>25,617</u>	<u>3,808</u>
Turnover	6,527	1,296	29,212	7,519
Interest income	30	133	168	139
Others	15	232	309	677
	<u>6,572</u>	<u>1,661</u>	<u>29,689</u>	<u>8,335</u>

3. Finance costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2001	2000	2001	2000
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans	<u>61</u>	<u>31</u>	<u>173</u>	<u>107</u>

4. Taxation

The taxation charge comprises:-

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2001	2000	2001	2000
		Unaudited	Unaudited	Unaudited	Unaudited
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	(i)	0	0	0	0
Overseas taxation	(ii)	11	26	58	70

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

5. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share for the three months and nine months ended 30 September 2001 is based on the respective unaudited consolidated loss of approximately HK\$2,832,000 and HK\$2,773,000 attributable to shareholders of the Group (2000: loss of HK\$4,407,000 and HK\$8,860,000 respectively) and the weighted average number of 578,800,000 and 574,145,055 (2000: 538,086,957 and 496,846,715) 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 1 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 30 September 2001 (2000: Nil).

BUSINESS REVIEW

RADIO TRUNKING SYSTEMS AND INTEGRATION

Turnover in the three months ended 30 September 2001 was only HK\$4,942,000. Since products for the order of special government use systems in 2001 are expected to be completely delivered before year-end, therefore turnover in the last quarter of 2001 will be much higher than that in the third quarter. With the first successful working experience with Shanghai Bell Company Limited in the Laos project, the Group will cooperate with Shanghai Bell again in a new project on the telecommunication system for the light rail in Changchun. Besides, the Group is negotiating with the defense and telecom departments of Laos government on system expansion in 2002.

PROVISION OF TELECOM BASE STATION EQUIPMENT

Shenzhen Max Com, 55% equity interest of which was acquired by the Group in the first quarter of 2001, has already been confirmed by China Unicom on its status as a qualified equipment supplier of CDMA amplifiers. Shenzhen Max Com ranks high among the 15 qualified equipment suppliers. Up to 30 September 2001, signed contracts amounted to approximately HK\$24 million and product delivery is expected to commence in December 2001. We expect purchase orders from China Unicom will increase as China Unicom speeds up the construction for its new mobile telecom network.

For the material supply, the major parts of Shenzhen Max Com's CDMA amplifiers are currently sourced from South Korea. The Group has already deployed resources to look into the localization of these parts so that cost can be controlled and product pricing can be more competitive.

PROVISION OF TELEMEDIA-RELATED SERVICES

The market environment of telemedia services continues to be very tough. Through the joint effort of the Group and Beijing Haoyuan Yingte Technology Development Co., Ltd. in strengthening resources deployment and program development, the performance of this business line has been quite stable in the first three quarters of 2001.

OUTLOOK

With the sustained economic growth of China supported by various market factors (including China's entry into WTO and Beijing Olympic Games in 2008), the strong background of Qing Jiang HK as a significant indirect shareholder of the Company and the close business relationship with China Unicom, the Board of Directors of the Company expects the Group can achieve good growth in the forthcoming quarters.

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at 30 September 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	Type of interest	Number of issued Shares held
Cai Zuping (<i>Note 1</i>)	Corporate	412,000,000

Note 1: Cai Zuping hold his deemed interests in the Company through his shareholding in Infonet Group Co., Ltd. ("Infonet") which holds 71.18% of the total issued share capital of the Company. Wan Qiu Sheng and Zhang Zheng, executive directors of the Company, also have interests in the Company through their respective shareholdings of 15.64% and 5.86% in Infonet.

SHARE OPTION SCHEME

On 13 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 5 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	5 January 2004 to 4 January 2008	HK\$0.72
Lu Chunming	Senior management staff	10,000,000	5 January 2004 to 4 January 2008	HK\$0.72
Chen Huanming	Senior management staff	10,000,000	5 January 2004 to 4 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 30 September 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 OF THE COMPANY

As at 30 September 2001, the following party was interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 16(1) of the Securities (Disclosure of Interests) Ordinance.

Name	Number of issued Shares	Percentage of total issued Shares
Infonet Group Co., Ltd. (<i>Note 1</i>)	412,000,000	71.18

Note 1: Infonet Group Co., Ltd. is a company incorporated in the BVI, 71.92% of the issued capital of which was beneficially owned by the executive directors and senior management staff of the Group, as at 30 September 2001, as follows:

Executive Directors

- 45.93% by Cai Zuping;
- 15.64% by Wan Qiu Sheng; and
- 5.86% by Zhang Zheng.

Senior management staff

- 2.25% by Lu Chunming;
- 1.90% by Chen Huanming;
- 0.17% by Mi Lei; and
- 0.17% by Pun Kam Wai, Peter.

The balance of 26% and 2.08% are owned respectively by:

- Qing Jiang (Hong Kong) Holdings Limited, a company incorporated in Hong Kong which is beneficially owned by Hubei Qing Jiang Hydro-electric Development Company Limited; and
- Distinct Developments Limited, a company incorporated in the BVI which is owned by two PRC individuals each holding a 50% shareholding.

On 5 October 2001 Mr. Wang Dingguo and Mr. Liu Taikang representing Qing Jiang (Hong Kong) Limited were appointed as executive directors of the Company.

The shareholders of Distinct Developments Limited 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, Wan Qiu Sheng and Qing Jiang (Hong Kong) Holdings Limited are substantial shareholders of the Company for the purpose of the GEM Listing Rules.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under section 16(1) of the Securities (Disclosure of Interests) Ordinance.

SPONSOR'S INTERESTS

Pursuant to the agreement dated 17 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 25 July 2000. As at 30 September 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. Wong Ping Wong and Mr. Pan Boxin.

COMPETING INTERESTS

During the three months ended 30 September 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 30 September 2001.

By Order of the Board
Cai Zuping
Chairman

Hong Kong, 13 November 2001