2002 First Quarterly Report

NEOLINK
优能科技

Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

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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 months ended 31 March 2002.

The turnover of the Group was HK$2,702,000 for the three months ended 31 March 2002 which is about 60% lower than the same period last year. The drop is solely due to the sales fluctuation of radio trunking systems integration which is easily affected by the delivery schedule of products to individual major customers. Given the unique business nature of radio trunking systems integration, such sales fluctuation within a year is not unusual.

Operating loss for the three months ended 31 March 2002 was HK$3,001,000. The increase in loss as compared to the same period last year was again driven by the drop in turnover mentioned above.

Loss attributable to shareholders for the three months ended 31 March 2002 amounted to HK$2,921,000 while the same period last year recorded a small loss of HK$194,000.

The management strongly believe that quarterly fluctuations in turnover and results reflect only the business nature of the Group and feel confident to deliver satisfactory business growth in the current year.

On behalf of the Board of the Directors, I would like to thank our management and staff for their continuing commitment and hard work.

CONSOLIDATED INCOME STATEMENT

The Board of Directors of the Company is pleased to announce that the unaudited consolidated results of the Group for the three months ended 31 March 2002 and the comparative figures of the unaudited consolidated results for the corresponding period in 2001 are set out below:

		For the three months ended 31 March	
		2002	**2001**
		Unaudited	**Unaudited**
	Notes	*HK$'000*	*HK$'000*
Turnover			
– Telemedia		980	835
– Radio trunking		1,722	5,990
	2	2,702	6,825
Cost of telemedia		(613)	(265)
Cost of radio trunking		(1,213)	(1,796)
Gross profit		876	4,764
Other revenues	*2*	117	216
Distribution costs		(385)	(793)
Administrative expenses		(3,609)	(4,277)
Profit/(Loss) from operations		(3,001)	(89)
Finance costs	*3*	(57)	(45)
Profit/(Loss) before taxation		(3,058)	(135)
Taxation	*4*	0	0
Profit/(Loss) after taxation		(3,058)	(135)
Minority interests		137	(59)
Profit/(Loss) attributable to shareholders		(2,921)	(194)
Earnings/(Loss) per Share			
– Basic	*5*	(0.50) cent	(0.03) cent

Notes:

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 13 October 1999 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange since 25 July 2000.

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

(ii) On 13 July 2000, the Company became the holding company of other companies comprising the Group pursuant to a group reorganisation ("the Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated results of the Group for the year ended 31 December 1998 include the results of the Company and its subsidiaries with effect from 1 January 1998 or since their respective dates of incorporation, where this is a shorter period, as if the current group structure had been in existence throughout the year ended 31 December 1998.

2. TURNOVER AND REVENUES

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

	For the three months ended 31 March	
	2002	**2001**
	HK$'000	*HK$'000*
Turnover		
Technical service incomes		
Telemedia services	980	835
Radio trunking systems	88	648
	1,068	1,483
Sales of goods		
Radio trunking systems	1,634	5,342
	2,702	6,825
Other revenues		
Interest income	64	28
Others	53	188
	117	216
Total revenues	2,819	7,041

3. Finance costs

	For the three months ended 31 March	
	2002	2001
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest on bank loans	57	45

4. TAXATION

The amount of taxation in the consolidated income statement represent:–

	For the three months ended 31 March	
	2002	2001
	HK$'000	*HK$'000*
Hong Kong profits tax *(Note (a))*	–	–
Overseas taxation *(Note (b))*	–	–
	–	–

(a) No provision for Hong Kong profits tax is required since the Group has no assessable profit for the relevant periods.

(b) 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. There is not any assessable profits of these subsidiaries in the relevant periods.

5. LOSS PER SHARE

The calculation of basic loss per share is based on:

	For the three months ended 31 March	
Loss	**2002**	**2001**
	HK$'000	*HK$'000*
Net loss attributable to shareholders used in the calculation of basic loss per share	2,921	194
Number of shares	**2002**	**2001**
Weighted average number of ordinary shares in issue during the relevant periods used in basic loss per share calculation	578,800,000	564,768,889

6. MOVEMENT OF RESERVES

Group

	Share premium *HK$'000*	Merger reserve *HK$'000*	Revaluation reserve *HK$'000*	General reserve *HK$'000*	Enterprise expansion fund *HK$'000*	Exchange reserve *HK$'000*	Retained earnings/ (accumulated loss) *HK$'000*	Total *HK$'000*
At 1 January 2001	21,793	(46,815)	400	2,136	50	(15)	(1,005)	(23,456)
Premium on issue of shares	12,536	0	0	0	0	0	0	12,536
Loss for the period	0	0	0	0	0	0	(194)	(194)
Exchange difference	0	0	0	0	0	(95)	0	(95)
At 31 March 2001	34,329	(46,815)	400	2,136	50	(110)	(1,199)	(11,209)
At 1 January 2002	39,529	(46,815)	400	2,247	50	(81)	(17,234)	(21,904)
Loss for the period	0	0	0	0	0	0	(2,921)	(2,921)
Exchange difference	0	0	0	0	0	26	0	26
At 31 March 2002	39,529	(46,815)	400	2,247	50	(55)	(20,155)	(24,799)

BUSINESS REVIEW & OUTLOOK

RADIO TRUNKING SYSTEMS INTEGRATION

Sales to Laos government commenced in 2001. The investigation and discussion on the system expansion in 2002 have completed recently. The Group expects to secure orders from Laos for both radio trunking systems integration and high-frequency radio. Last year the Group managed to get orders for radio trunking systems integration only. This is definitely a recognition from the customer on the quality of products and services delivered by the Group in 2001.

Shanghai Qiangsheng Taxi Company ("Shanghai Qiangsheng"), a major commercial customer of the Group, is planning to have full-scale upgrade in their current radio dispatch system (also supplied by the Group previously). This will bring substantial orders to the Group. Besides, Shanghai Qiangsheng is working with the Group on another project which aims to display motion advertisements in a LCD monitor installed on taxis together with the radio dispatch system. Research and development and testing are in progress. Such service is expected to launch by the end of this year.

PROVISION OF TELEMEDIA-RELATED SERVICES

Business from established telemedia services is stable. Given the tough external business environment, the management do not expect significant breakthrough from current services. In the first quarter of 2002, with the technical support from the Group, Haoyuan Yingte Technology Development Co., Ltd. launched short message service using its 95168 national access code. This includes short message service for fixed line users, cross-network short message service for mobile users of China Mobile and China Unicom, and short message downloading with language selection. This new service aims to broaden the services provided to mobile phone users which have been increasing and will continue to increase significantly.

LEGAL ISSUE ABOUT SHENZHEN MAX COM

The acquisition of 55% equity interest in Shenzhen Max Com Industrial Development Limited ("Shenzhen Max Com") in early 2001 has encountered legal issue. For details, please refer to an announcement of the Company dated 28 February 2002. The issue is not settled yet as at the publication of this results announcement. It is likely that the Company may commence legal proceedings against relevant parties in the case. The Company will keep the public and the shareholders of the Company informed of the progress in this issue.

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 31 March 2002 (2001: Nil).

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at 31 March 2002, 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 *(Note 1)*	Corporate	412,000,000

Note 1: Cai Zuping hold his deemed interests in the Company through his shareholding of 45.93% in Infonet Group Co., Ltd. ("Infonet") which holds 71.18% of the total issued share capital of the Company. Zhang Zheng, executive director of the Company, also has interests in the Company through his shareholding of 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 31 March 2002 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 31 March 2002, 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. *(Note 1)*	412,000,000	71.18

Note 1: Infonet Group Co., Ltd. is a company incorporated in the BVI, 56.28% of the issued capital of which was beneficially owned by the executive directors and senior management staff of the Company and its subsidiaries, as at 31 March 2002, as follows:

Executive directors
- 45.93% by Cai Zuping; 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 26.00%, 13.04%, 2.60% 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;

- He Yuefeng;

- Smooth Gain Profits Limited, a company incorporated in the BVI which is owned by Wan Qiu Sheng and his wife each holding a 50% shareholding; 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) Holdings Limited were appointed as executive directors of the Company.

He Yuefeng and 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 Company and its subsidiaries.

Infonet Group Co., Ltd., Cai Zuping 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 receive a fee for acting as the Company's retained sponsor for the period of two years commencing 25 July 2000. Subsequently both parties mutually agreed that the appointment of DBS as the sponsor to the Company terminated with effect from 16 January 2002. As at 16 January 2002, 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.

South China Capital Limited ("SCCL") was appointed as the sponsor to the Company for the period from 16 January 2002 to 31 December 2002. As at 31 March 2002, none of SCCL, 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. The audit committee met once in March 2002 in conjunction with the auditors to review the internal controls and accounts of the Group for the year ended 31 December 2001 prior to recommending such accounts to the Board for approval.

COMPETING INTERESTS

During the year ended 31 March 2002, 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.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules during the three months ended 31 March 2002.

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 31 March 2002.

By Order of the Board
Cai Zuping
Chairman

Hong Kong, 10 May 2002