



2002 Third Quarterly Report



Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

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This report, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to announce the unaudited third quarterly results of the Group for the three months and nine months ended 30 September 2002, together with the unaudited comparative figures for the corresponding periods in 2001.

Financial Performance

The turnover of the Group for the nine months ended 30 September 2002 was HK\$15,346,000, representing a decrease of 22% as compared with the same period in 2001. Turnover for the three months ended 30 September 2002 was HK\$2,860,000 which is 51% lower than the same period last year. The decreases in turnover were primarily attributable to the cyclical fluctuation of sales which was directly caused by the delivery schedule of radio trunking systems integration to the customers.

Loss attributable to shareholders for the three months and nine months ended 30 September 2002 were HK\$2,258,000 and HK\$2,001,000 respectively, representing an increase of 25% and a decrease of 38% over the corresponding periods in 2001 respectively. The Group continues to respond aggressively but prudently by reducing operating costs and to be vigilant about the efficiencies to strive for the best achievement in the profitability of the Group.

Business Review & Outlook

Radio Trunking Systems Integration

Given the complementary nature of the products of the Group and Shanghai BeTrue, the Group is under negotiation with Shanghai BeTrue in respect of sales of the Group's products to the Laos government for the second phase of the system expansion. Since Shanghai BeTrue has secured orders with the Laos government, we have confidence of finalising the deal shortly.

The field test for the taxi radio dispatch system achieved satisfactory result. After lengthy negotiations between the Group and Shanghai Qiangsheng, the Group is expected to enter into an agreement with Shanghai Qiangsheng. The Group is committed and already in position to deliver our systems and services through this cooperation.

The Group commenced and is aggressively in the process of completing the specialized government systems ordered by one of the PRC government departments and is expected to be delivered at the end of 2002.

With regard to the progress in establishing the multi-district trunking systems network on trial run for another important PRC government department in Beijing, three base stations have been installed and new radio frequency has been adopted by the trunking systems in the third quarter of 2002. Carrying out the field tests, the Group is dedicated to fully utilize our technical support team to fulfill the user's specific requirements. In addition, the Group has achieved smooth progress in the development of the mini portable terminal which ties in with the trunking systems.

The Group would implement aggressive marketing plans to enhance our radio trunking systems integration, and strengthen ties with PRC government authorities and major customers and strive to become a leader in the industry.

Provision of Telemedia related Technical Services

The Group continues its commitment developing new services to serve the major cities in PRC. The Group has provided technical support for Haoyuan Yingte to develop the Short Message Service via Haoyuan Yingte's well established call centres to send short messages to the mobile phone users in PRC. The Group is in the process to further develop the Multimedia Message Service.

The Group's ongoing development in provision of telemedia technical services through the launch of automotive accessory information call centre is another example of the Group's continued drive to expand and diversify its recurrent revenue base. The call centre will provide guidance via the phones for any potential buyers who look for automotive accessories in Beijing.

Development of Digital Trunking Systems

In respect of the research and development on digital trunking systems to substitute for or enhance our existing products by adopting the "Tetra Standard" generally accepted in Europe, the group will continuously employ more technical talents to further strengthen the Group's research and development team so that the first generation is expected to be launched into the market in the next two years.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff for their contribution and efforts throughout the period.

Cai Zuping
Chairman

Hong Kong, 12 November 2002

CONDENSED CONSOLIDATED INCOME STATEMENT*For the three months and nine months ended 30 September 2002*

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	2	2,860	5,845	15,346	19,647
Cost of sales		<u>(1,479)</u>	<u>(2,425)</u>	<u>(6,486)</u>	<u>(6,874)</u>
Gross profit		1,381	3,420	8,860	12,773
Other revenues	2	160	45	805	475
Distribution costs		(387)	(337)	(1,231)	(2,149)
Administrative expenses		<u>(3,422)</u>	<u>(4,895)</u>	<u>(10,471)</u>	<u>(14,039)</u>
Loss from operations		(2,268)	(1,767)	(2,037)	(2,940)
Finance costs		<u>(22)</u>	<u>(61)</u>	<u>(101)</u>	<u>(172)</u>
Loss before taxation		(2,290)	(1,828)	(2,138)	(3,112)
Taxation	3	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(52)</u>
Loss after taxation		(2,290)	(1,833)	(2,138)	(3,164)
Minority interests		<u>32</u>	<u>24</u>	<u>137</u>	<u>(84)</u>
Loss attributable to shareholders		(2,258)	(1,809)	(2,001)	(3,248)
Transfer from reserves		<u>-</u>	<u>-</u>	<u>18</u>	<u>-</u>
		<u>(2,258)</u>	<u>(1,809)</u>	<u>(1,983)</u>	<u>(3,248)</u>
Loss per share					
- Basic	4	<u>(0.39) cent</u>	<u>(0.31) cent</u>	<u>(0.35) cent</u>	<u>(0.56) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2002

	Share capital HK\$'000	Share premium HK\$'000	Merger Reserve HK\$'000	Revaluation reserve HK\$'000	Unaudited		Exchange reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
					General Reserve HK\$'000	Enterprise Expansion Fund HK\$'000			
Nine months ended 30 September 2002									
At 1 January 2002	57,880	39,529	(46,815)	400	2,247	50	(81)	(17,234)	35,976
Transfer from statutory reserves	-	-	-	-	(18)	-	-	18	-
To retained earnings	-	-	-	-	-	-	13	-	13
Exchange differences	-	-	-	-	-	-	-	-	-
Profit attributable to shareholders	-	-	-	-	-	-	-	257	257
At 30 June 2002	57,880	39,529	(46,815)	400	2,229	50	(68)	(16,959)	36,246
Exchange differences	-	-	-	-	-	-	(4)	-	(4)
Loss attributable to shareholders	-	-	-	-	-	-	-	(2,258)	(2,258)
At 30 September 2002	<u>57,880</u>	<u>39,529</u>	<u>(46,815)</u>	<u>400</u>	<u>2,229</u>	<u>50</u>	<u>(72)</u>	<u>(19,217)</u>	<u>33,984</u>
Nine months ended 30 September 2001									
At 1 January 2001	56,000	21,793	(46,815)	400	2,136	50	(15)	(1,005)	32,544
Issue of shares	1,880	17,736	-	-	-	-	-	-	19,616
Exchange differences	-	-	-	-	-	-	(94)	-	(94)
Loss attributable to shareholders	-	-	-	-	-	-	-	(1,439)	(1,439)
At 30 June 2001	57,880	39,529	(46,815)	400	2,136	50	(109)	(2,444)	50,627
Exchange differences	-	-	-	-	-	-	(59)	-	(59)
Loss attributable to shareholders	-	-	-	-	-	-	-	(1,809)	(1,809)
At 30 September 2001	<u>57,880</u>	<u>39,529</u>	<u>(46,815)</u>	<u>400</u>	<u>2,136</u>	<u>50</u>	<u>(168)</u>	<u>(4,253)</u>	<u>48,759</u>

Notes:

1. Basis of preparation

The unaudited consolidated 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.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Turnover and revenues

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

	Three months ended 30 September		Nine months ended 30 September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
Technical service income				
Telemedia services		999	3,389	2,567
Radio trunking systems		-	88	1,029
Sales of goods				
Radio trunking systems	1,861	4,918	11,869	16,051
	<u>2,860</u>	<u>5,845</u>	<u>15,346</u>	<u>19,647</u>
Other revenues				
Interest income	2	30	74	168
Others	158	15	731	307
	<u>160</u>	<u>45</u>	<u>805</u>	<u>475</u>
Total revenues	<u>3,020</u>	<u>5,890</u>	<u>16,151</u>	<u>20,122</u>

3. Taxation

The amount of taxation charged to the consolidated income statement represents:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax	(i)	0	0	0	0
Overseas taxation	(ii)	0	5	0	52
		<u>0</u>	<u>5</u>	<u>0</u>	<u>52</u>

Notes:

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

4. Loss per share

The calculation of the basic loss per share for the three months and nine months ended 30 September 2002 is based on the unaudited consolidated loss of approximately HK\$2,258,000 and loss of approximately HK\$2,001,000 attributable to shareholders of the Group (2001: loss of HK\$1,809,000 and loss of HK\$3,248,000 respectively) and on the weighted average number of 578,800,000 (2001: 578,800,000 and 574,145,055 shares respectively) shares in issue during the respective periods.

There is no dilution arising from the outstanding share options granted by the Company. Accordingly no diluted loss per share for the period is presented. There were no potential dilutive shares during the nine months ended 30 September 2002.

5. Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2002 (2001: Nil).

LEGAL ISSUE ABOUT SHENZHEN MAX COM

On 1 November 2002, Shenzhen Neolink, the Company, Shenzhen Max Communication and Mr. Zhu entered into the conditional Termination Agreement pursuant to which Mr. Zhu agreed to sell and the Company agreed to purchase from Mr. Zhu 14,800,000 Shares beneficially owned by Mr. Zhu, representing approximately 2.56% of the existing issued share capital of the Company at a nominal total cash consideration of HK\$1.00. Following completion of the Share Repurchase, Mr. Zhu will have no shareholding interest in the Company. The Acquisition will also be terminated and all parties to the Acquisition Agreement will be released from their respective obligations thereunder upon termination of the Acquisition.

The Share Repurchase is conditional upon (i) the approval by the Executive of the Share Repurchase; (ii) the approval of the Share Repurchase by at least three-fourths (75%) of the votes cast at the EGM on a poll by Disinterested Shareholders or the granting of a waiver from compliance with any off-market repurchase requirements of the Repurchase Code; and (iii) any other consents or approvals required by the relevant regulatory authorities. If the EGM is to be held, Mr. Zhu will abstain from voting at the EGM. Completion of the Share Repurchase is expected to take place within 15 days after all the conditions precedent have been fulfilled.

Following completion of the Share Repurchase, the Repurchase Shares will be cancelled and the number of Shares in issue will be reduced from 578,800,000 to 564,000,000.

Save as disclosed above, the Board confirms that there are no negotiations or agreements relating to intended acquisition or realisation which are discloseable under chapter 19 of the GEM Listing Rules and that neither is the Board aware of any matter discloseable under the general obligation imposed by rule 17.10 of the GEM Listing Rules.

Since the conditions precedent to the Termination Agreement may or may not be satisfied, the Termination Agreement may or may not be completed and the Share Repurchase may or may not proceed.

For details, please refer to an announcement of the Company dated 6 November 2002.

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at 30 September 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 were as follows:—

Name	Type of interests	Number of issued shares held
Cai Zuping (<i>Note</i>)	Corporate	412,000,000

Note: Cai Zuping holds his deemed interests in the Company through his shareholding of 45.93% in 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.

Name	Share option		At 30 September 2002
	Granted	Exercised	
Zhang Zheng	10,000,000	—	10,000,000

On 5 January 2001, 10,000,000 options were granted to Mr. Zhang Zheng. The options will be exercisable at HK\$0.72 from 5 January 2004 and will expire on 4 January 2008. No options were waived or exercised during the nine months ended 30 September 2002.

SHARE OPTION

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

As at 30 September 2002, there were 30,000,000 (31 December 2001: 30,000,000) outstanding share options.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except the share options disclosed above, at no time during the nine months ended 30 September 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 30 September 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 Hong Kong Securities (Disclosure of Interests) Ordinance.

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

Note: Infonet 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 30 September 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. (resigned on 4 June 2002)

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 holds 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.

Mr. Wang Dingguo and Mr. Liu Taikang representing Qing Jiang (Hong Kong) Holdings Limited are executive directors of the Company.

He Yuefeng, the shareholders of Smooth Gain Profits Limited, and 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., 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 interests in the share capital of the Company that was required to be recorded under section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance.

SPONSOR'S INTERESTS

Pursuant to the agreement dated 17 July 2000 and entered into between the Company and 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 the 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.

SCCL was appointed as the sponsor to the Company for the period from 16 January 2002 to 31 December 2002. As at 30 September 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 in compliance with Rule 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control systems. The audit committee comprises two independent non-executive directors of the Company, namely Mr. Wong Ping Wong and Mr. Pan Boxin.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the nine months ended 30 September 2002 with the directors.

COMPETING INTERESTS

During the nine months ended 30 September 2002, none of the Directors and initial management shareholders (as defined in the GEM Listing Rules) of the Group had any interest in any business which competed or might compete with the business of the Group.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practice and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules during the nine months ended 30 September 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 nine months ended 30 September 2002.

DEFINITIONS

"Acquisition"	the acquisition of 55% equity interest in Shenzhen Max Com from Shenzhen Max Communication by Shenzhen Neolink pursuant to the Acquisition Agreement
"Acquisition Agreement"	the agreement made between Mr. Zhu and Shenzhen Neolink dated 30 January 2001 relating to the Acquisition
"BVI"	the British Virgin Islands
"Board"	board of directors of the Company
"Company"	Neolink Cyber Technology (Holding) Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on GEM
"DBS"	DBS Asia Capital Limited
"Disinterested Shareholders"	Shareholders other than Mr. Zhu
"EGM"	an extraordinary general meeting of the Company to be convened and held to approve, among other matters, the Share Repurchase and termination of the Acquisition
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Haoyuan Yingte”	Haoyuan Yingte Technology Development Co., Ltd.
“Infonet”	Infonet Group Co. Ltd. was incorporated in the British Virgin Islands with limited liability on 13 July 1999 with an authorised share capital of US\$50,000 divided into 5,000,000 ordinary shares of US\$0.01 each and an issued share capital of US\$50,000 divided into 5,000,000 shares of US\$0.01 each
“Mr. Zhu”	Mr. Zhu Shengdong 朱勝東
“PRC”	the People’s Republic of China
“Repurchase Code”	the Hong Kong Code on Share Repurchases
“Repurchase Shares”	14,800,000 Shares proposed to be purchased by the Company under the Share Repurchase
“SCCL”	South China Capital Limited
“Share(s)”	share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Repurchase Communication”	Mr. Zhu Shengdong agreed to sell and the Company agreed to purchase from Mr. Zhu Shengdong 14,800,000 Shares, representing approximately 2.56% of the existing issued share capital of the Company for a cash consideration of HK\$1.00
“Shenzhen Max”	Shenzhen Max Communication Company Limited 深圳市佳訊通訊有限公司, a limited liability company established in the PRC and wholly and beneficially owned by Mr. Zhu Shengdong
“Shenzhen Max Com”	Shenzhen Max Com Industrial Development Limited 深圳市佳訊實業發展有限公司, a limited liability company established in the PRC whose equity holders are Shenzhen Max Communication (existing equity holding: 49%, formerly 55%) and Shanghai Guomai (existing equity holding: 51%, formerly 45%)
“Shenzhen Neolink”	Neolink Electronic Technology (Shenzhen) Company Limited 優能科電子技術(深圳)有限公司, now known as Neolink Huadian Electronic Technology (Shenzhen) Company Limited 優能華典電子技術(深圳)有限公司, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	“The Stock Exchange of Hong Kong Limited”
“Termination Agreement”	a sale and purchase agreement dated 1 November 2002 made between Shenzhen Neolink, the Company, Shenzhen Max Communication and Mr. Zhu in relation to the Share Repurchase and termination of the Acquisition

By order of the Board
Neolink Cyber Technology (Holding) Limited
Cai Zuping
Chairman

Hong Kong, 12 November 2002