



1st Quarterly Report

2004

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

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This report, for which the directors of Neolink Cyber Technology (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.

FIRST QUARTERLY RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2004, together with the unaudited comparative figures for the corresponding period in 2003, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2004

		(Unaudited)	
		For the three months	
		ended 31 March	
		2004	2003
	Notes	HK\$'000	HK\$'000
Turnover	2	4,832	8,886
Cost of sales and services		(3,304)	(4,089)
Gross profit		1,528	4,797
Other revenues	2	435	136
Distribution costs		(567)	(409)
Administrative expenses		(3,384)	(2,883)
(Loss)/profit from operations		(1,988)	1,641
Finance costs		(70)	(35)
(Loss)/profit before taxation		(2,058)	1,606
Taxation	3	(258)	(2)
(Loss)/profit after taxation		(2,316)	1,604
Minority interests		133	(624)
(Loss)/profit attributable to shareholders		(2,183)	980
		HK cents	HK cents
(Loss)/earnings per share – Basic	4	(0.39)	0.17

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2004

	Unaudited								
	Share capital	Share premium	Merger Reserve	Revaluation reserve	Enterprise				Total
					General Reserve	Expansion Fund	Exchange reserve	Accumulated Losses	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Three months ended									
31 March 2003									
At 1 January 2003	56,400	26,993	(46,815)	307	3,881	50	(66)	(21,302)	19,448
Exchange differences	-	-	-	-	-	-	32	-	32
Profit attributable to shareholders	-	-	-	-	-	-	-	980	980
At 31 March 2003	56,400	26,993	(46,815)	307	3,881	50	(34)	(20,322)	20,460
Three months ended									
31 March 2004									
At 1 January 2004	56,400	26,993	(46,815)	1,783	5,922	50	(56)	(14,461)	29,816
Exchange differences	-	-	-	-	-	-	9	-	9
Loss attributable to shareholders	-	-	-	-	-	-	-	(2,183)	(2,183)
At 31 March 2004	56,400	26,993	(46,815)	1,783	5,922	50	(47)	(16,644)	27,642

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. The accounts have been prepared under the historical cost convention as modified by the revaluation of land and buildings.

The accounting policies and methods of computation adopted in the preparation of these unaudited consolidated accounts are consistent with those set out in the annual financial statements for the year ended 31 December 2003.

2. Turnover and revenues

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

	(Unaudited) For the three months Ended 31 March	
	2004	2003
	HK\$'000	HK\$'000
Turnover		
Technical service income		
Telemedia-related and other value-added telecommunication-related technical services	1,041	904
Sales of goods		
Radio trunking systems integration	3,791	7,982
	4,832	8,886
Other revenues		
Interest income	4	5
Others	431	131
	435	136
Total revenues	5,267	9,022

3. Taxation

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

		(Unaudited) For the three months ended 31 March	
		2004	2003
	Notes	HK\$'000	HK\$'000
Hong Kong profits tax	(i)	0	0
Overseas taxation	(ii)	258	2
		258	2

3. Taxation (continued)

Notes:

- (i) No provision for Hong Kong profits tax has been made as the Group either incurred tax losses for the relevant periods or its assessable profit was wholly absorbed by the tax losses brought forward.
- (ii) Overseas taxation represents tax charges on the assessable profits of certain subsidiaries operating in the PRC calculated at the applicable rates.
- (iii) No deferred tax asset has been recognized in respect of the tax losses as it is not possible to predict the trend of future profits to determine the amount of available tax losses to be utilized.

4. (Loss)/earnings per share

The calculation of the basic loss per share for the three months ended 31 March 2004 is based on the unaudited consolidated loss of approximately HK\$2,183,000 attributable to shareholders of the Group (2003: profit of approximately HK\$980,000) and on the weighted average number of 564,000,000 shares in issue for the three months ended 31 March 2004 and 2003.

Diluted (loss)/earnings per share is not presented as there were no diluting events existed during the three months ended 31 March 2004 and 2003. There were no potential dilutive shares during the period ended 31 March 2004.

5. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004 (2003: Nil).

FINANCIAL REVIEW

For the three months ended 31 March 2004, the Group recorded an unaudited consolidated turnover of approximately HK\$4,832,000, representing a decrease of approximately 46% as compared with the corresponding period in 2003. The unaudited net loss attributable to shareholders for the three months ended 31 March 2004 amounted to approximately HK\$2,183,000, whereas the Group recorded a profit of approximately HK\$980,000 for the corresponding period in 2003. The decrease in turnover of the Group was primarily attributable to the cyclical fluctuation of sales which was directly affected by the delivery schedule of radio trunking systems integration to the customers. Administrative expenses increased by 17% during the period was mainly attributable to the development of vehicle call centre in Shanghai, which include the increase of research and development expenses, staff costs and other operating expenses. Management believes that the newly recruited marketing and technical expertise can help the Group better grasp the opportunities ahead and accelerate the growth of the development of vehicle call centre.

BUSINESS REVIEW AND OUTLOOK

Radio Trunking Systems Integration

For the first quarter of the year ended 31 March 2004, the Group's radio trunking systems integration business remained stable. During the quarter, the Group secured orders amounting to approximately HK\$17 million in relating to the radio trunking systems integration business and all orders were planned to be delivered within this year. The largest order was still the provision of radio trunking system integration to the relevant PRC government departments through Hainan Baotong Industry Company, which amounted to approximately HK\$12 million. It is believed that the main source of revenue of radio trunking systems integration will still be derived from orders from the government and public utilities in the near future.

Due to the inherent feature of unstable delivery batch size of radio trunking systems integration, the results for each season fluctuates tremendously. Together with the impact of delay of delivery date as requested by the users, the turnover recorded for the quarter amounted to approximately HK\$3,791,000 compared to approximately HK\$7,982,000 recorded for the same period last year.

During the quarter, an old client of the Group "Shanghai Qiangsheng" once again extended its orders for taxi radio regulating systems. Due to its recognition in the Group's products and services, the Group has been providing products and solutions for taxi radio regulating systems to Shanghai Qiangsheng repeatedly since 1998. In addition, the Group secured orders from Shanghai Jing Jiang Motor Company which is a taxi hiring company, and the promotion of the advanced "call service" for public transportation in cities like Beijing and Shenzhen, is expected to have positive impact on the business development of the Group.

The Group has been devoted to the research and development of digital radio trunking systems integration, so as to grasp the opportunities arouse from the transition of radio trunking systems integration to digitalization. The Group is currently cooperating with a Swedish company to develop relevant hardware products, which is expected to be launched to the market in 2005.

BUSINESS REVIEW AND OUTLOOK *(continued)*

Provision of Telemedia-related and Other Value-added Telecommunication-related Technical Services

For the three months ended 31 March 2004, the Group recorded a turnover of approximately HK\$1,041,000 for the provision of telemedia-related and other value-added telecommunication-related technical services, representing an increase of approximately 15% as compared with the corresponding period in 2003.

The Group cooperates with Beijing Haoyuan Yingte Technology Development Co., Ltd. (“Haoyuan Yingte”) to develop value-added telecommunication business including telemedia-related technical services, SMS and call centre as its core. On the basis of successfully assisting Haoyuan Yingte in qualifying for the provision of value-added service and obtaining the wireless network connection number “12590” from China Mobile at the end of 2003, Haoyuan Yingte is currently applying another special service number “12586” from China Mobile which is expected to be completed in the first half of 2004. Haoyuan Yingte has also negotiated with China Telecom with regard to “116” for effective integration of the fixed and mobile telephone value-added services. The value-added telecommunication services of Haoyuan Yingte using the platform provided by China Mobile has commenced operation in this quarter.

With regard to SMS business, the Group is assisting Haoyuan Yingte in obtaining licence from China Mobile and China Unicom for business operation nationwide and expand the business to the whole country from the present basis of single connection point.

The call centre business is scheduled to transform from the current investigation of business to provision of professional call centre services to clients. It also explores its development direction with customer service agency business and agency business as supplementary business.

BUSINESS REVIEW AND OUTLOOK *(continued)*

Development of Vehicle Call Centre

The Group achieved good progress in the project of information terminals applicable to urban transport vehicles which was its development focus during the quarter. The “Vedia 318” voice messaging terminal, co-developed by a Korean company and the Company, was completed and is undergoing function and performance test. The “Bluetooth” module and “Touch Screen” are now in the debugging process.

The preparatory work for the Vehicle Call Centre established by the Group in serving urban transport vehicles is progressing well, and the Group plans to set up a small system that supports 60 ways in next quarter. Smooth progress was made in software development as well as the establishment of the database of the system’s core elements “Computer Telephone Integration” (“CTI”) and “Geographic Information System” (“GIS”).

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2004, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of HK\$0.10 each of the Company

Name	Type of interest	Number of shares	Approximate percentage of issued share capital
Mr. Cai Zuping (Note 1)	Corporate	376,585,296	66.77%
Mr. Zhang Zheng (Note 2)	Corporate	376,585,296	66.77%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

1. Mr. Cai Zuping, an executive director and the vice chairman of the Company, holds his deemed interest in the Company through his shareholding of 23.82% in Infonet Group Co., Ltd. ("Infonet") which holds 66.77% of the total issued share capital of the Company.
2. Mr. Zhang Zheng, an executive director of the Company, has interest in the Company through his shareholding of 5.86% in Infonet.

Save as disclosed above, as at 31 March 2004, none of the directors and chief executives of the Company had registered an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 March 2004, the following persons (other than the director and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK\$0.10 each of the Company

Name	Type of interest	Number of shares	Approximate percentage of issued share capital
Infonet (Note 1) Qing Jiang (Hong Kong) Holdings Limited ("Qing Jiang HK") (Note 2)	Corporate	376,585,296	66.77%
Mr. Wang Yuan (Note 3)	Corporate	376,585,296	66.77%
Mr. He Yuefeng (Note 3)	Corporate	376,585,296	66.77%

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY *(continued)*

Notes:

1. Infonet is a company incorporated in the British Virgin Islands which is beneficially owned, among others, as to 26% by Qing Jiang HK, as to 23.82% by Mr. Cai Zuping, as to 19.93% by Mr. Wang Yuan and as to 13.04% by Mr. He Yuefeng.
2. Qing Jiang HK, a company incorporated in Hong Kong, has interest in the Company through its shareholding of 26% in Infonet. Mr. Wang Dingguo and Mr. Liu Taikang, the executive directors of the Company, are the shareholders of the Qing Jiang HK and hold the shares of Qing Jiang HK on trust for Hubei Qing Jiang Hydro-electric Development Limited, a state-owned corporation in the PRC.
3. Mr. Wang Yuan and Mr. He Yuefeng 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. Mr. Wang Yuan and Mr. He Yuefeng have interest in the Company through their shareholdings of 19.93% and 13.04% in Infonet respectively.

Save as disclosed above, as at 31 March 2004, the Company had not been notified of any other person or company (other than a director or chief executive of the Company) who had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 31 March 2004, any business or interests of each directors of the Company, management shareholders and the respective associates (as defined in the GEM Listing Rules) of each that competes or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

Except Rule 5.28 of the GEM Listing Rules which is subject to certain transitional arrangement, the Company has established an audit committee with written terms of reference in compliance with Rule 5.28 to 5.30 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 Group's unaudited results for the three months ended 31 March 2004 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules during the three months ended 31 March 2004.

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 listed securities during the three months ended 31 March 2004.

On behalf of the Board
Neolink Cyber Technology (Holding) Limited
Wang Dingguo
Chairman

Hong Kong, 14 May 2004