优能科技

Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8116)

First Quarterly Report 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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 2007, together with the unaudited comparative figures for the corresponding period in 2006, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2007

		(Unaudited) For the three months ended 31 March	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**2,039**	4,370
Cost of sales and services		**(877)**	(1,069)
Gross profit		**1,162**	3,301
Other revenues	2	**84**	59
Distribution expenses		**(1,907)**	(1,282)
Administrative expenses		**(6,033)**	(6,839)
Loss from operations		**(6,694)**	(4,761)
Finance costs		**(87)**	(56)
Loss before taxation		**(6,781)**	(4,817)
Income tax expense	3	**–**	(6)
Loss after taxation		**(6,781)**	(4,823)
Minority interests		**(74)**	1,283
Loss attributable to shareholders		**(6,855)**	(3,540)
		HK cents	*HK cents*
Loss per share – Basic	4	**(0.97)**	(0.63)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2007

	Share capital HK$'000	Share premium HK$'000	Merger Reserve HK$'000 (Note (ii))	Revaluation reserve HK$'000	General Reserve HK$'000 (Note (i))	Unaudited Enterprise Expansion Fund HK$'000 (Note (i))	Exchange reserve HK$'000	Share – base compen-sation reserve HK$'000	Accumu-lated Losses HK$'000	Minority interest HK$'000	Total HK$'000
Three months ended 31 March 2006											
At 1 January 2006	56,400	26,993	(46,815)	1,468	6,806	50	627	1,092	(7,944)	8,316	46,993
Employee share option benefits	–	–	–	–	–	–	–	183	–	–	183
Loss attributable to shareholders	–	–	–	–	–	–	–	–	(3,540)	(1,283)	(4,823)
Exchange differences	–	–	–	–	–	–	406	–	–	–	406
At 31 March 2006	56,400	26,993	(46,815)	1,468	6,806	50	1,033	1,275	(11,484)	7,033	42,759
Three months ended 31 March 2007											
At 1 January 2007	56,400	26,993	(46,815)	1,846	6,846	50	2,454	1,821	(12,759)	(310)	36,526
Employee share option benefits	–	–	–	–	–	–	–	182	–	–	182
Loss attributable to shareholders	–	–	–	–	–	–	–	–	(6,855)	74	(6,781)
Exchange differences	–	–	–	–	–	–	(3,841)	–	–	–	(3,841)
Placing of new shares	24,816	31,697	–	–	–	–	–	–	–	–	56,513
At 31 March 2007	81,216	58,690	(46,815)	1,846	6,846	50	(1,387)	2,003	(19,614)	(236)	82,599

Notes:

(i) The general reserve and enterprise expansion fund are set up by subsidiaries established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

(ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganisation.

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 Institute of Certified Public Accountants. The accounts have been prepared under the historical cost convention as modified by the revaluation of leasehold 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 2006.

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	
	2007	2006
	HK$'000	*HK$'000*
Turnover		
Technical service income		
Telemedia-related and other value-added telecommunication-related technical services	**998**	552
Sales of goods		
Radio trunking systems integration	**1,041**	3,818
	2,039	4,370
Other revenues		
Interest income	**14**	59
Others	**70**	–
	84	59
Total revenues	**2,123**	4,429

3. Income tax expense

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

	Notes	(Unaudited) For the three months ended 31 March 2007 HK$'000	2006 HK$'000
Hong Kong profits tax	*(i)*	**–**	–
Overseas taxation	*(ii)*	**–**	6
		–	6

Notes:

(i) No provision for Hong Kong profits tax is required as the Group has no assessable profit for the year (2006: HK$Nil).

(ii) Overseas taxation represents tax charges on the assessable profits of certain subsidiaries operating in the PRC calculated at the applicable rates.

4. Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the number of ordinary shares in issue during the period.

	2007 ***HK$'000***	2006 *HK$'000*
Loss attributable to shareholders	**(6,855)**	(3,540)

	Number of shares **2007**	2006
Number of ordinary shares in issue during the period	**704,624,000**	564,000,000

5. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2007 (2006: Nil).

6. Advance to an Entity

Advance to Hainan Baotong Industries Company Limited

In compliance with Rule 17.15, 17.17 and 17.22, the Group is required to disclose advance to entities exceeding 8% of Group's total asset or market capitalization.

Trade receivable in the amount of approximately HK$4,450,000 were owned from Baotang Industries and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the GEM Listing Rules) of the Company.

Such trade receivable is unsecured, interest-free and with credit terms 90 days. The amount primarily arose from sales of the Group's radio trunking systems.

FINANCIAL REVIEW

For the three months ended 31 March 2007, the unaudited consolidated turnover of Group was approximately HK$2 million, representing an decrease of approximately 53.3% as compared with the corresponding period in 2006. The unaudited loss attributable to shareholders for the three months ended 31 March 2007 amounted to approximately HK$6.9 million.

The business of radio trunking system integration decrease the turnover by HK$2.7 million and 72% as compared to same period in last year. 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 decreased by 11% during the period.

The Increase of the loss attributable to shareholders for the period was mainly attributable to the disposal of Carbase Projects in Beijing, the distribution costs and administrative expenses increased by HK$0.6 million and decreased by HK$0.8 million respectively.

PLACING OF NEW SHARES

In order to broaden the shareholders base and capital base of the Company and to raise capital for the Group to increase available financial resources for future investment opportunities, the Group completed the placing of a total of 248,160,000 new shares in January 2007 and March 2007, raising HK$56,000,000.

BUSINESS REVIEW AND OUTLOOK

Through resource integration and modification of business development directions in 2006, and after gradually stepping out of the business segment of provision of telecom-related services and other value-added telecom-related technical services and disposal of the Carbase Project, the Group has shifted its focus to the radio trunking sector so as to centralize its strengths and resources for the rapid development and optimal growth of the Group's operation.

BUSINESS DEVELOPMENT

For the three months ended 31 March 2007, the radio trunking business of the Group realized a turnover of HK$1 million, representing a decrease of 53.3% as compared to the same period in the previous year. The decrease is mainly attributable to the delay in delivery of government procurement orders.

During the first quarter of the year, the Group and its partner succeeded in obtaining the VHF Project of Zhejiang Maritime Safety Administration. Implementation of the project will bring about a good prospect for the Group in the sales in the transportation sector.

2007 is a critical year in the strategic transition of the Group. After the continuous review and revision of the past business and development directions in 2006, the Group has made clear its future business development direction, that is, to gain breakthroughs in the areas of public safety, police and marine transportation through massive investment in research and development and market expansion, relying on the basis of active expansion of the existing market.

The main part of the factory and office compound construction project situated on the land purchased by the Group in Hangzhou has been topped out and is currently undergoing the construction of fire and sewage facilities and interior and exterior decoration. It is expected to be put into use by this year.

The Board is pleased to announce that the Company entered into a non-legally binding memorandum of understanding (the “MOU”) with Hong Kong Chang Kang (Holdings) Limited (“Hong Kong Chang Kang”) on 24 February 2007, an independent third party, to acquire all of its issued share capital. Hong Kong Cheng Kang is establishing a joint venture engaged in developing and manufacturing of vehicle stamping and/or welding products in the PRC (the “Proposed Joint Venture”). Detailed terms of the Proposed Joint Venture (including the structure and consideration of the joint venture) are pending negotiation. The transactions contemplated under the MOU and the establishment of the Proposed Joint Venture may or may not proceed. However, such matters, if proceed, may constitute discloseable transactions for the Company under Chapter 19 of the GEM Listing Rules.

PLACING OF NEW SHARES

In order to broaden the shareholders base and capital base of the Company and to raise capital for the Group to increase available financial resources for future investment opportunities, the Group completed the placing of a total of 248,160,000 new shares in January 2007 and March 2007, raising HK$56,000,000. On 14 February 2007, the Company announced that it had entered into a non-legally binding memorandum of understanding with an independent third party, Hong Kong Chang Kang (Holdings) Limited to acquire its entire issued share capital for development of the Group’s businesses. Detailed investment goals or proposals are still subject to negotiation.

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

As at 31 March 2007, 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	363,040,296	44.70%

Notes:

1. Mr. Cai Zuping, an executive director and the 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 44.70% of the total issued share capital of the Company.

Save as disclosed above, as at 31 March 2007, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associates corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 March 2007, 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.

Name	**Type of interest**	**Number of shares**	**Approximate percentage of issued share capital**
Infonet *(Note 1)*	Corporate	363,040,296	44.70%
Harbour Smart Development Limited ("Harbour Smart") *(Note 2)*	Corporate	363,040,296	44.70%
Mr. Wang Yuan *(Note 3)*	Corporate	363,040,296	44.70%
Mr. He Yuefeng *(Note 3)*	Corporate	363,040,296	44.70%
Wellchamp Capital Limited	Corporate	51,000,000	6.28%
Wellchamp Fund Limited	Corporate	51,000,000	6.28%

Notes:

1. Infonet is a company incorporated in the British Virgin Islands which is beneficially owned, among others, as to 26% by Harbour Smart, 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. Harbour Smart, a company incorporated in Hong Kong, has interest in the Company through its shareholding of 26% in Infonet. Mr. Shu Zhan and Mr. Zheng Xiaoyin are the executive director and shareholder of the Harbour Smart and hold the shares of Harbour Smart on trust for Hubei Qing Jiang Hydro-electric Development Limited, a state-owned corporation in the PRC. Mr. Shu Zhan and Mr. Zheng Xiaoyin, are independent third parties not connected with the directors, chief executive 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.

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.

4. Wellchamp Capital Limited and Wellchamp Fund 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.

Save as disclosed above, as at 31 March 2007, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

No share option scheme was adopted since the termination of the Scheme on 14 January 2007. At no time during the period was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors to a 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 respective. Associates (which has the meaning ascribed to it under the Rules Governing the Listing of Securities on the GEM), had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 31 March 2007, 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

The audit committee has been established since July 2000 with defined terms of reference, which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the GEM Listing Rules, to review the Group's financial reporting, internal controls, and corporate governance and risk management matters and to make relevant recommendations to the Board.

The audit committee comprises three independent non-executive directors of the Company, namely Mr. Jin Ge, Mr. Pan Boxin and Mr. Sik Siu Kwan. The Group's unaudited results for the three months ended 31 March 2007 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.

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 2007.

On behalf of the Board
Neolink Cyber Technology (Holding) Limited
Cai Zuping
Chairman

Hong Kong, 11 May 2007

As at the date hereof, the executive directors of the Company comprises four executive directors, being Mr. Cai Zuping, Mr. Wu Yangang, Mr. Stephen William Frostick and Mr. Sun Guiping; one non-executive director, being Mr. Chen Kang; and three independent non-executive directors being, Mr. Jin Ge, Mr. Pan Boxin and Mr. Sik Siu Kwan.