



2002 Half-year 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 Neolink Cyber Technology (Holding) Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Neolink Cyber Technology (Holding) Limited. The directors, 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

I am pleased to announce the unaudited condensed consolidated results of Neolink Cyber Technology (Holding) Limited (the "Company") and its subsidiaries (together, the "Group") for the six months ended 30 June 2002, together with the unaudited comparative figures for the corresponding periods in 2001.

The turnover of the Group for the six months ended 30 June 2002 was HK\$12,486,000 which is about 10% lower than the same period last year. Turnover for the three months ended 30 June 2002 was HK\$9,784,000 which represents growth of 262% over that of the first quarter of 2002.

Profit attributable to shareholders for the six months ended 30 June 2002 was HK\$257,000 which was a substantial improvement against the loss of HK\$1,439,000 for the same period a year ago. The improvement was solely contributed by the early partial delivery of radio trunking products to Chinese government amounted to more than HK\$5 million during the second quarter of 2002.

The principal activities of the Group are still engaged in radio trunking systems integration and provision of telemedia related technical services. As a primary provider of radio trunking systems in the People's Republic of China (the "PRC"), the Group has received orders for specialised government systems steadily and is expected to achieve a significant growth for the second half of 2002. Having signed with one of the important PRC government department for the use of multi-district trunking systems on trial run, the Group will install the systems in the third quarter of 2002. The Group is expected to enter into another important nationwide market if the trial run is proved to be successful.

I believe that the Group is now in a strong position to attain profitability by the second half of 2002, and will create a long-term value for our shareholders.

On behalf of the board of directors, I would like to express my sincere gratitude to our management and employees for their dedication and hard work.

Cai Zuping
Chairman

Hong Kong, 13 August 2002

CONDENSED CONSOLIDATED INCOME STATEMENT*For the three months and six months ended 30 June 2002*

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	9,784	6,977	12,486	13,802
Cost of sales		<u>(3,181)</u>	<u>(2,388)</u>	<u>(5,007)</u>	<u>(4,449)</u>
Gross profit		6,603	4,589	7,479	9,353
Other revenues	2	528	214	645	430
Distribution costs		(459)	(1,019)	(844)	(1,812)
Administrative expenses		<u>(3,440)</u>	<u>(4,867)</u>	<u>(7,049)</u>	<u>(9,144)</u>
Profit/(loss) from operations	4	3,232	(1,083)	231	(1,173)
Finance costs		<u>(22)</u>	<u>(66)</u>	<u>(79)</u>	<u>(111)</u>
Profit/(loss) before taxation		3,210	(1,149)	152	(1,284)
Taxation	5	<u>-</u>	<u>(47)</u>	<u>-</u>	<u>(47)</u>
Profit/(loss) after taxation		3,210	(1,196)	152	(1,331)
Minority interests		<u>(32)</u>	<u>(49)</u>	<u>105</u>	<u>(108)</u>
Profit/(loss) attributable to shareholders		3,178	(1,245)	257	(1,439)
Transfer from reserves		<u>-</u>	<u>-</u>	<u>18</u>	<u>-</u>
		<u>3,178</u>	<u>(1,245)</u>	<u>275</u>	<u>(1,439)</u>
Earnings/(loss) per share					
- Basic	6	<u>0.55 cent</u>	<u>(0.22) cent</u>	<u>0.04 cent</u>	<u>(0.25) cent</u>

CONDENSED CONSOLIDATED BALANCE SHEET*At 30 June 2002*

		(Unaudited) 30 June 2002 HK\$'000	(Audited) 31 December 2001 HK\$'000
ASSETS			
Non-current assets			
Fixed assets	7	4,546	4,721
Non-trading securities		14,950	14,950
		<u>19,496</u>	<u>19,671</u>
Current assets			
Inventories		4,162	3,574
Trade receivables	8	7,334	10,858
Amounts due from related companies		8,328	9,615
Prepayments, deposits and other receivables		3,682	3,600
Bank balances and cash		5,557	5,991
		<u>29,063</u>	<u>33,638</u>
Less: Current liabilities			
Trade payables	9	3,595	3,666
Accruals and other payables		4,487	6,632
Amount due to ultimate holding company		2,750	1,665
Amounts due to related companies		47	2,119
Taxation payable		–	217
Secured bank loans	10	1,402	2,897
		<u>12,281</u>	<u>17,196</u>
Net current assets		<u>16,782</u>	<u>16,442</u>
Total assets less current liabilities		<u>36,278</u>	<u>36,113</u>
Less: Non-current liabilities			
Minority interests		32	137
NET ASSETS		<u>36,246</u>	<u>35,976</u>
CAPITAL AND RESERVES			
Share capital	11	57,880	57,880
Reserves		(21,634)	(21,904)
SHAREHOLDERS' FUNDS		<u>36,246</u>	<u>35,976</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2002

	(Unaudited) Six month ended 2002 <i>HK\$'000</i>	(Unaudited) Six month ended 30 June 2001 <i>HK\$'000</i>
Net cash inflow/(outflow) from Operating activities	1,592	(5,704)
Net cash (outflow)/inflow from Investing activities	(544)	381
Net cash (outflow)/inflow from financing	<u>(1,495)</u>	<u>1,963</u>
Decrease in cash and cash equivalents	(447)	(3,360)
Effect of foreign exchange rate changes	13	94
Cash and cash equivalents at beginning of period	<u>5,991</u>	<u>8,142</u>
Cash and cash equivalents at end of period	<u>5,557</u>	<u>4,876</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>5,557</u>	<u>4,876</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2002

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Revaluat- ion reserve <i>HK\$'000</i>	Unaudited General Reserve <i>HK\$'000</i>	Enterprise expansion fund <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumu- lated Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2002									
Balance at 1 January 2002	57,880	39,529	(46,815)	400	2,247	50	(81)	(17,234)	35,976
Transfer from statutory reserves to retained earnings	-	-	-	-	(18)	-	-	18	-
Exchange differences	-	-	-	-	-	-	13	-	13
Profit attributable to shareholders	-	-	-	-	-	-	-	257	257
At 30 June 2002	<u>57,880</u>	<u>39,529</u>	<u>(46,815)</u>	<u>400</u>	<u>2,229</u>	<u>50</u>	<u>(68)</u>	<u>(16,959)</u>	<u>36,246</u>
Six months ended 30 June 2001									
Balance 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	<u>57,880</u>	<u>39,529</u>	<u>(46,815)</u>	<u>400</u>	<u>2,136</u>	<u>50</u>	<u>(109)</u>	<u>(2,444)</u>	<u>50,627</u>

NOTES TO THE CONDENSED HALF-YEAR ACCOUNTS

1. Basis of preparation

The unaudited condensed half-year accounts have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, and should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation adopted in the preparation of these condensed accounts are consistent with those set out in the annual accounts for the year ended 31 December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following new or revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of the above SSAPs does not have a material effect on the Group's results in the current and prior periods.

The condensed interim financial statements are unaudited, but have been reviewed by the Audit Committee.

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 June 2002		Six months ended 30 June 2001	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
Technical service income				
Telemedia services	1,410	877	2,390	1,712
Radio trunking systems	–	309	88	957
Sales of goods				
Radio trunking systems	8,374	5,791	10,008	11,133
	9,784	6,977	12,486	13,802
Other revenues				
Interest income	8	110	72	138
Others	520	104	573	292
	528	214	645	430
Total revenues	<u>10,312</u>	<u>7,191</u>	<u>13,131</u>	<u>14,232</u>

3. Segment information

The Group carries out its activities predominately in PRC. The Group is currently organized into two divisions – radio trunking systems and telemedia related technical services. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segment. An analysis of the Group's turnover and segment result by principal activities for the period is as follows:

	Turnover			
	Three months ended 30 June 2002		Six months ended 30 June 2002	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue				
Telemedia services	1,410	877	2,390	1,712
Radio trunking systems	8,374	6,100	10,096	12,090
Total turnover for the period	<u>9,784</u>	<u>6,977</u>	<u>12,486</u>	<u>13,802</u>
	Profit/(loss) from operations			
	Three months ended 30 June 2002		Six months ended 30 June 2002	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment result				
Telemedia services	882	49	1,113	519
Radio trunking systems	3,989	2,300	2,508	4,812
	4,871	2,349	3,621	5,331
Other revenues	528	214	645	430
Unallocated corporate expenses	(2,167)	(3,646)	(4,035)	(6,934)
Profit/(loss) from operations for the period	<u>3,232</u>	<u>(1,083)</u>	<u>231</u>	<u>(1,173)</u>

4. Profit/(loss) from operations

Profit/(loss) from operations is stated after charging:

	Three months ended 30 June 2002		Six months ended 30 June 2002	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Charging				
Cost of goods sold	2,595	1,748	3,808	3,544
Depreciation on fixed assets	328	395	714	779
Loss on disposal of fixed assets	5	–	5	–
Operating lease rental in respect of:				
– land and building	506	734	921	1,315
– motor vehicles	172	178	345	351
Net exchange loss	4	–	4	–
Amortisation of goodwill	–	154	–	154
Research and development costs	614	708	1,255	1,113
Staff costs, including directors' emoluments	2,276	2,880	4,655	5,677

5. Taxation

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	(i)	0	0	0	0
Overseas taxation	(ii)	0	47	0	47
		<u>0</u>	<u>47</u>	<u>0</u>	<u>47</u>

Notes:

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

6. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share for the three months and six months ended 30 June 2002 is based on the unaudited consolidated profit of approximately HK\$3,178,000 and profit of approximately HK\$257,000 attributable to shareholders of the Group (2001: loss of HK\$1,245,000 and loss of HK\$1,439,000 respectively) and on the weighted average number of 578,800,000 (2001: 564,768,889 and 571,779,006 shares respectively) in issue during the respective periods.

There is no dilution arising from the outstanding share options granted by the Company. Accordingly no diluted earning/(loss) per share for the period is presented. There were no potential dilutive shares during the six months ended 30 June 2002.

7. Fixed assets

	Six months ended 30 June 2002	Year ended 31 December 2001
	HK\$'000	HK\$'000
Net book value, beginning of period/year	4,721	4,854
Additions	544	1,813
Disposals	(5)	(171)
Depreciation	(714)	(1,775)
Net book value, end of period/year	<u>4,546</u>	<u>4,721</u>

8. Trade receivables

The Group has a policy of allowing its trade customers with credit period normally ranging from 45 days to 60 days or according to the terms of the sales contracts. The ageing analysis of trade receivables is as follows:

	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
30 June 2002	<u>2,272</u>	<u>-</u>	<u>297</u>	<u>4,765</u>	<u>7,334</u>
31 December 2001	<u>878</u>	<u>794</u>	<u>206</u>	<u>8,980</u>	<u>10,858</u>

9. Trade payables

The ageing analysis of trade payables is as follows:

	0 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
30 June 2002	<u>613</u>	<u>138</u>	<u>110</u>	<u>2,734</u>	<u>3,595</u>
31 December 2001	<u>1,727</u>	<u>412</u>	<u>65</u>	<u>1,462</u>	<u>3,666</u>

All the trade payables are expected to be settled within one year.

10. Secured bank loans

	30 June 2002	31 December 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wholly repayable within one year	<u>1,402</u>	<u>2,897</u>

The bank loans are interest bearing at prevailing market rates and secured by a legal charge on all the land and buildings under long leases outside Hong Kong with net book value of approximately HK\$1,468,000 (2001: HK\$1,507,000).

11. Share capital

	Six months ended 30 June 2002		Year ended 31 December 2001	
	Number of shares	Nominal Value	Number of shares	Nominal Value
		<i>HK\$'000</i>		<i>HK\$'000</i>
Issued and fully paid (HK\$0.1 each)				
Beginning of period/year	578,800,000	57,880	560,000,000	56,000
Issue of shares	<u>-</u>	<u>-</u>	<u>18,800,000</u>	<u>1,880</u>
End of period/year	<u>578,800,000</u>	<u>57,880</u>	<u>578,800,000</u>	<u>57,880</u>

12. Related party transactions

In the normal course of business the Group entered into the following significant transactions with its related parties during the period:

	Six months ended 30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rent paid to a related company – Edison	<u>132</u>	<u>134</u>

The amount was paid in accordance with the terms of rental agreement between the parties by reference to the market value of similar transactions. Mr. Cai Zuping, a director of the company, is a director of Edison.

13. Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review & Outlook

Radio Trunking Systems Integration

The turnover of the radio trunking systems integration for the six months ended 30 June 2002 was HK\$10,096,000 which is about 16% lower than the same period last year. Turnover for the three months ended 30 June 2002 was HK\$8,374,000 which represents a significant growth of 386% over that of the first quarter of 2002. The improvement was solely contributed by the early partial delivery of radio trunking systems to Chinese government department during the second quarter of 2002. Our co-operation with the relevant PRC government department has been building up with a thriving business. The order for next year is in negotiation.

The Group's radio trunking systems integration provided to the Laos government through the collaboration with Shanghai BeTure was well developed. The negotiation for the second phase of the system expansion is in progress as planned. Furthermore, the taxi radio dispatch system, jointly developed by the Group and Shanghai Qiangsheng Taxi Company, which displays motion advertisements, is in the process of further test and research and development.

The Group has achieved further progress in developing the specialised Chinese government systems. The Group has entered into an agreement with one of the important PRC government department for the use of the multi-district trunking systems on trial run. The Group shall provide a radio trunking systems solution, an upgrade of terminal products and a development of a specialised communication security system under this agreement. The trunking systems on trial run shall be installed in the third quarter of 2002. Once the trial run meets the user's specific requirements, negotiation will be held between the parties in order to finalise the deal.

The Group has been planning to expand the business of the specialised Chinese railway systems. The Group has secured a large-amount order from Beijing Zhong Rui Te, the leading provider of Chinese railway radio system products. Meanwhile, both parties have agreed on entering the market of Chinese railway plane dispatch system by using the Group's trunking products.

Provision of Telemedia related Technical Services

The turnover of the provision of telemedia related technical services for the six months ended 30 June 2002 was HK\$2,390,000 which represents an increase of 40% over that achieved in the same period last year. Turnover for the three months ended in 30 June 2002 was HK\$1,410,000 which represents a steady growth of about 44% over the first quarter of 2002. The well-established telemedia related technical services continued to grow steadily. Furthermore, Haoyuan Yingte Technology Development Co., Ltd., with the technical support from the Group, has aggressively launched a new short message service, and has expanded this service to Chongqing and Beijing. Meanwhile, the Haoyuan Yingte has been pushing forward the establishment of a call center in Beijing. Turnover of telemedia related technical services is expected to increase steadily.

Development of Digital Trunking Systems

The use of radio trunking systems is closely correlated with the economic development of the district. Given the current economic development in PRC, the business use of radio trunking systems shall have a high potential growth apart from the government use. As the primary provider of radio trunking systems in the PRC, the Group has its own intellectual property rights. Taking advantage of our well-established development in radio trunking system, the board of directors has approved to invest in the development of digital trunking systems to substitute for our existing products. The Group has adopted the "Tetra Standard" generally accepted in Europe to develop our digital trunking systems. The management believes that, with our solid experience in the field of trunking systems, the first generation product shall launch into the market within two years.

Legal Issue about Shenzhen Max Com

The legal issue arising from the acquisition of a 55% equity interest in Shenzhen Max Com Industrial Development Limited (Shenzhen Max Com) in early 2001 has not yet been settled as at the publication of this results report. The Company has assigned appropriate staff to negotiate with the parties involved. The Company will keep the public and the shareholders of the Group informed of the progress in this issue.

Liquidity and financial resources

The liquidity position of the Group was maintained at a satisfactory level during the period. As at 30 June 2002, the Group has a low gearing ratio of 0.04 (31 December 2001: 0.08), calculated on the basis of the Group's bank borrowings over shareholders' funds.

Total cash and bank balances was HK\$5,557,000 (31 December 2001: HK\$5,991,000) exceeding bank loans and overdrafts of HK\$1,402,000 (31 December 2001: HK\$2,897,000).

The Group's liquidity position and gearing ratio are healthy, and has sufficient funds to meet its commitment and operational requirements.

Acquisitions and disposals of subsidiaries and affiliated companies

The Group had no acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2002.

Staff

Staff cost, including directors' remuneration, was HK\$4,655,000 for the six months ended 30 June 2002. As at 30 June 2002, the Group employed over 100 full-time employees, the majority of whom were employed in the PRC. The Group remunerates its employees largely based on industry practice. Discretionary bonuses are normally paid to employees based on individual performance as well as the results of the Group. Other benefits include contributions to pension scheme as well as medical insurance.

Capital structure

There was no change to the Group's capital structure during the six months ended 30 June 2002.

Foreign currency exposure

Since the Group's sales, purchases and loans were substantially denominated in Reminbi or Hong Kong dollar, the Board of Directors considers that the potential foreign exchange exposure of the Group is limited.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the prospectus dated 18 July 2000 (“the Prospectus”) for the period ended 30 June 2002	Actual business progress
<i>Provision of telemedia related technical services</i>	
Research and development	
<ul style="list-style-type: none"> Call centre system version two. 	<p>Business opportunities for call centre service are growing after China’s accession to the World Trade Organisation. But the scale of the market is still uncertain. Research and Development (“R&D”) and applications of medium-scale and small-scale call centre systems are still in progress.</p>
Sales	
<ul style="list-style-type: none"> Technical services to new telemedia establishments of Haoyuan Yingte in two cities in the PRC. 	<p>Haoyuan Yingte has taken a prudent approach towards traditional telemedia services. A new branch has been set up in Ningbo in the first half of 2002, with insignificant revenue.</p>
<ul style="list-style-type: none"> Regular technical services and telemedia programmes to existing telemedia establishments of Haoyuan Yingte. 	<p>Continuous provision of technical services and telemedia programmes, including new technical service for mobile short messages, to the existing telemedia establishments of Haoyuan Yingte.</p>
<ul style="list-style-type: none"> Sale of the second call centre system. 	<p>Trial running of a small-scale call centre system has been commissioned in Beijing by Haoyuan Yingte.</p>

Business objectives as stated in the prospectus dated 18 July 2000 (“the Prospectus”) for the period ended 30 June 2002

Actual business progress

Radio trunking systems integration

Research and development

- | | |
|---|--|
| • Digital trunking system. | The board of directors has resolved to invest in the development of Digital trunking system by adopting the “Tetra Standard” generally accepted in Europe. |
| • Digital trunking mobile equipment. | Postponed and expected to be implemented upon the completion of the system. |
| • Specialised transport vehicle use terminal. | Upgraded 2.4G terminal specially designed for port transport system being used by customers in other big coastal cities in China other than Shanghai. |

Sales

- | | |
|-------------------------------------|---|
| • ODIN systems to overseas markets. | No new orders. |
| • ODIN systems in PRC. | Sale of a system to customer in Shanghai. |
| • ODIN systems expansions in PRC. | Sale to customers in Shanghai, Beijing and Zhenjiang for system expansion. |
| • Specialised railway use systems. | Sale of specialised railway use systems through Zhong Rui Te in Beijing. |
| • Specialised government systems. | Specialised government systems delivered. |
| • Specialised highway use systems. | No sales of specialised highway use systems except for the sale of a set of specialised ship use systems. |

**Business objectives as stated
in the prospectus dated
18 July 2000 (“the
Prospectus”) for the period
ended 30 June 2002**

Actual business progress

***Provision of Internet solutions
and related technical services***

Research and development

- | | |
|---|--|
| <ul style="list-style-type: none"> • Develop new technical services under the integrated information services network environment. | <p>As mentioned in the interim report of 2001, in response to the latest development in the internet market, the Group has suspended the development in ICP and has maintained investment in ISP to a minimum level.</p> |
|---|--|

Sales

- | | |
|---|---------------------------------|
| <ul style="list-style-type: none"> • Technical services to new ISP establishments of Haoyuan Sky Internet in six cities in PRC. • Internet information content to support the ICP business of Haoyuan Sky Internet. | <p>} No sales achieved yet.</p> |
|---|---------------------------------|

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at 30 June 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 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 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.

Name	Share option		
	Granted	Exercised	At 30 June 2002
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 six months ended 30 June 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 June 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 six months ended 30 June 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 June 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. (<i>Note</i>)	412,000,000	71.18

Note: Infonet Group Co., Ltd. is a company incorporated in the British Virgin Islands (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 June 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 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 interests 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 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.

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 30 June 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 six months ended 30 June 2002 with the directors.

COMPETING INTERESTS

During the six months ended 30 June 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 competed with the business of the Group.

BOARD PRACTICES AND PROCEDURES

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 six months ended 30 June 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 six months ended 30 June 2002.

On behalf of the Board
Cai Zuping
Chairman

Hong Kong, 13 August 2002