NEOLINK
优能科技

Half-year Report 2004

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

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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 found on bases and assumptions that are fair and reasonable.

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 and six months ended 30 June 2004, together with the unaudited comparative figures for the corresponding period in 2003, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2004

		(Unaudited) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
		2004	2003	**2004**	2003
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	2	**10,563**	10,690	**15,395**	19,576
Cost of sales		**(2,384)**	(4,750)	**(5,688)**	(8,839)
Gross profit		**8,179**	5,940	**9,707**	10,737
Other revenues	2	**632**	574	**1,067**	710
Distribution costs		**(808)**	(201)	**(1,375)**	(610)
Administrative expenses		**(4,312)**	(3,505)	**(7,696)**	(6,388)
Profit from operations	4	**3,691**	2,808	**1,703**	4,449
Finance costs		**(60)**	(44)	**(130)**	(79)
Profit before taxation		**3,631**	2,764	**1,573**	4,370
Taxation	5	**(65)**	(66)	**(324)**	(68)
Profit after taxation		**3,566**	2,698	**1,249**	4,302
Minority interests		**(143)**	(39)	**(10)**	(663)
Profit attributable to shareholders		**3,423**	2,659	**1,239**	3,639
Earnings per share – Basic	6	**0.61 cent**	0.47 cent	**0.22 cent**	0.65 cent
Earnings per share – Diluted	6	**N/A**	N/A	**0.21 cent**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

	Notes	(Unaudited) As at 30 June 2004 HK$'000	(Audited) As at 30 December 2003 HK$'000
ASSETS			
Non-current assets			
Fixed assets	7	**5,086**	5,104
Current assets			
Inventories		**6,220**	6,269
Trade receivables	8	**16,364**	7,831
Amounts due from related companies		**6,135**	19,805
Prepayments, deposits and other receivables		**3,678**	8,821
Bank and cash balances		**11,085**	3,289
		43,482	46,015
Less: **Current liabilities**			
Trade payables	9	**4,318**	4,796
Accruals and other payables		**6,004**	8,369
Amount due to ultimate holding company		**2,099**	1,299
Amounts due to related companies		**497**	1,932
Taxation payable		**65**	230
Secured bank loans	10	**4,673**	4,673
		17,656	21,299
Net current assets		**25,826**	24,716
Total assets less current liabilities		**30,912**	29,820
Less: **Non-current liabilities**			
Minority interests		**14**	4
NET ASSETS		**30,898**	29,816
CAPITAL AND RESERVES			
Share capital	11	**56,400**	56,400
Reserves		**(25,502)**	(26,584)
SHAREHOLDERS' FUNDS		**30,898**	29,816

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	(Unaudited) Six month ended 30 June 2004 HK$'000	2003 HK$'000
Net cash inflow from operating activities	**8,800**	1,332
Net cash outflow from investing activities	**(1,006)**	(315)
Net cash inflow from financing activities	**–**	1,869
Increase in cash and cash equivalents	**7,794**	2,886
Effect of foreign exchange rate changes	**2**	3
Cash and cash equivalents at beginning of period	**3,289**	4,871
Cash and cash equivalents at end of period	**11,085**	7,760
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	**11,085**	7,760

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Unaudited								
	Share capital	Share premium	Merger reserve	Revaluation reserve	General reserve	Enterprise expansion fund	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30 June 2004									
At 1 January 2004	56,400	26,993	(46,815)	1,783	5,922	50	(56)	(14,461)	29,816
Reserves transferred upon disposal of land and buildings under long leases outside Hong Kong	–	–	–	(155)	–	–	–	–	(155)
Exchange differences	–	–	–	–	–	–	(2)	–	(2)
Profit attributable to shareholders	–	–	–	–	–	–	–	1,239	1,239
At 30 June 2004	56,400	26,993	(46,815)	1,628	5,922	50	(58)	(13,222)	30,898
Six months ended 30 June 2003									
At 1 January 2003	56,400	26,993	(46,815)	307	3,881	50	(66)	(21,302)	19,448
Exchange differences	–	–	–	–	–	–	(8)	–	(8)
Profit attributable to shareholders	–	–	–	–	–	–	–	3,639	3,639
At 30 June 2003	56,400	26,993	(46,815)	307	3,881	50	(74)	(17,663)	23,079

NOTES TO THE CONDENSED HALF-YEAR ACCOUNTS

1. Basis of preparation

The unaudited condensed half-year accounts (the "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 GEM Listing Rules. The Half-year Accounts have been prepared under the historical cost convention.

The accounting policies and methods of computation adopted in the preparation of the Half-year 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 services. Revenues recognized are as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Turnover				
Technical service income				
Telemedia-related services	**1,253**	1,184	**2,295**	2,088
Sales of goods				
Radio trunking systems integration	**9,310**	9,506	**13,100**	17,488
	10,563	10,690	**15,395**	19,576
Other revenues				
Interest income	**12**	36	**15**	41
Others	**620**	538	**1,052**	669
	632	574	**1,067**	710
Total revenues	**11,195**	11,264	**16,462**	20,286

3. Segment information

The Group carries out its activities mainly in the People 's Republic of China (the "PRC"). For management purposes, the Group is currently organized into two divisions-radio trunking systems integration and telemedia-related services. These divisions are the bases on which the Group reports its primary segment information. No geographical segment information is presented as secondary segment information as substantially all the Group's turnover and contribution to operating results were carried out in the PRC. An analysis of the Group's segment revenue and result by principal activities for the period is as follows:

	Turnover			
	Three months ended 30 June		Six months ended 30 June	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Segment revenue				
Telemedia-related services	**1,253**	1,184	**2,295**	2,088
Radio trunking systems integration	**9,310**	9,506	**13,100**	17,488
Total turnover for the period	**10,563**	10,690	**15,395**	19,576

	Profit from operations			
	Three months ended 30 June		Six months ended 30 June	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Segment result				
Telemedia-related services	**(20)**	332	**204**	502
Radio trunking systems integration	**4,600**	3,397	**3,194**	5,701
	4,580	3,729	**3,398**	6,203
Other revenues	**633**	574	**1,067**	710
Unallocated corporate expenses	**(1,522)**	(1,495)	**(2,762)**	(2,464)
Profit from operations for the period	**3,691**	2,808	**1,703**	4,449

4. Profit from operations

Profit from operations is stated after charging:

	Three months ended 30 June		Six months ended 30 June	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Charging				
Cost of goods sold	**2,384**	4,121	**5,688**	7,658
Depreciation on fixed assets	**285**	301	**637**	710
Loss on disposal of fixed assets	**8**	79	**8**	79
Operating lease rental in respect of:				
– land and building	**414**	347	**818**	711
Net exchange loss	**2**	5	**2**	11
Research and development costs	**940**	798	**2,383**	1,190
Staff costs, including directors' emoluments	**3,471**	2,176	**5,223**	4,296

5. Taxation

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

		Three months ended 30 June		Six months ended 30 June	
		2004	2003	**2004**	2003
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong profits tax	(i)	**0**	0	**0**	0
Overseas taxation	(ii)	**65**	66	**324**	68
		65	66	**324**	68

(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.

(iii) No recognition of the potential deferred tax assets relating to tax losses has been made as the recoverability of this potential deferred tax assets is uncertain.

(iv) No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. (30 June 2003: Nil)

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Earnings				
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	**3,423**	2,659	**1,239**	3,639
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**564,000**	564,000	**564,000**	564,000
Effect of dilutive share options	**–**	–	**768**	–
Weight average number of ordinary shares for the purposes of diluted earnings per share	**564,000**	564,000	**564,768**	564,000

7. Fixed assets

	Six months ended 30 June	Year ended 31 December
	2004	2003
	HK$'000	HK$'000
Net book value, beginning of period/year	**5,104**	4,008
Additions	**892**	1,069
Revaluation	**–**	1,489
Disposals	**(273)**	(138)
Depreciation	**(637)**	(1,324)
Net book value, end of period/year	**5,086**	5,104

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 HK$'000	31 to 60 days HK$'000	61 to 90 days HK$'000	Over 90 days HK$'000	Total HK$'000
As at 30 June 2004	7,393	945	1,071	6,955	16,364
As at 31 December 2003	2,262	547	1,118	3,904	7,831

9. Trade payables

The ageing analysis of trade payables is as follows:

	0 to 30 days HK$'000	31 to 60 days HK$'000	61 to 90 days HK$'000	Over 90 days HK$'000	Total HK$'000
As at 30 June 2004	34	542	576	3,166	4,318
As at 31 December 2003	2,678	76	69	1,973	4,796

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

10. Secured bank loans

	As at 30 June 2004 HK$'000	As at 31 December 2003 HK$'000
Wholly repayable within one year	**4,673**	4,673

The bank loans are interest bearing at prevailing market rates, are denominated in Renminbi ("RMB"), and are secured by a legal charge on certain land and buildings under long leases outside Hong Kong of the Group with net book value of approximately HK$2,251,000 (2003: HK$1,419,000) and corporate guarantee by the related company.

11. Share capital

	Six months ended 30 June 2004		Year ended 31 December 2003	
	Number of shares	**Nominal Value HK$**	Number of shares	Nominal Value HK$
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000,000**	**100,000,000**	1,000,000,000	100,000,000
Issued and fully paid:				
Beginning of period/year	**564,000,000**	**56,400,000**	564,000,000	56,400,000
End of period/year	**564,000,000**	**56,400,000**	564,000,000	56,400,000

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 2004 HK$'000	2003 HK$'000
Sales of equipment and provision of technical services to		
– Hainan Baotong Communication System Company Limited ("Baotong ") (Note a)	**–**	4,572
– Beijing Haoyuan Yingte Technology Development Co., Ltd. ("Haoyuan Yingte ") (Note a)	**2,149**	2,082
Consultancy fee paid to Qing Jiang HK (Note b)	**90**	–
Interest paid to Shenzhan Communication (Note a)	**36**	–

Notes:

(a) Baotong, Haoyuan Yingte and Shenzhen Communication indirectly owned by the relatives of Mr. Cai Zuping, a director of the Company.

(b) Qing Jiang HK is a substantial shareholder of the Company.

13. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Change of chairman and director

With effect from 6 August 2004, Mr. Cai Zuping has been appointed as Chairman of the Company and Mr. Li Chaobin and Mr. Su Hongjin have been appointed as Executive Directors of the Company. Mr Li Chaobin has also been appointed as Vice-Chairman of the Company.

Mr. Wang Dingguo has resigned as Chairman and Executive Director of the Company and Mr. Liu Taikang has resigned as Executive Director of the Company with effect from 6 August 2004.

Change of substantial shareholder

Qing Jiang (Hong Kong) Holdings Limited has transferred its entire shareholding of 26% in Infonet Group Co. Ltd., a substantial shareholder of the Company, to Harbour Smart Development Limited on 6 August 2004. Upon the transfer of share, Harbour Smart will become the largest shareholder of Infonet owning 26% of the issued share capital of Infonet, representing approximately 17.36% beneficial interest in the Company. The ultimate beneficial owner of both Qing Jiang HK and Harbour Smart is Hubei Qingjing Hydro-electric Development Co., Ltd..

Financial Review

For the six months ended 30 June 2004, the Group recorded an unaudited consolidated turnover of approximately HK$15,395,000, representing a decrease of approximately 21% as compared with the corresponding period in 2003. The unaudited net profit attributable to shareholders for the six months ended 30 June 2004 amounted to approximately HK$1,239,000, representing a decrease of approximately 66% as compared with 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. Increase in gross profit margin by 9% was mainly due to technology improvement for design of the Radio trucking systems, which leads to significant decrease in costs of products. Administrative expenses increased by 20% during the period was mainly attributable to the development of vehicle call centre in Beijing and Shanghai, which include the increase of research and development expenses, staff casts 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Outlook

Radio Trunking System Integration

For the six months ended 30 June 2004, orders received for the Group's specialized radio communication business amounted to approximately RMB$ 25,040,000 in value, of which RMB$8,000,000 was received in the second quarter. The outstanding orders of approximately RMB$9,792,000 entered into this year will be completed in the second half of the year. In view of orders in this business segment mainly placed in the first quarter, it reflected that our efforts on market share expansion for radio system communication business had made remarkable result. Based on government orders maintained for long, the Group has been dedicated to develop a widely diversified customer base, covering sectors such as public security, border guard, logistics, city emergency co-action, etc. The management believes there is huge market potential for specialized radio communication business in China, and is confident of the future development of the Group.

For the three months and six months ended 30 June 2004, turnovers for the Group's specialized radio communication business were approximately HK$9,310,000 and HK$13,100,000, representing decreases of 1% and 21% as compared to the corresponding periods of previous year respectively.

In April 2004, Hangzhou Neolink Technical Software Company Limited (杭州優能軟件技術有限公司), the wholly foreign-owned enterprise established by the Group in Hangzhou, obtained an approval for establishment. The establishment of the company will help enhance the added value of system products provided by the Group, and the company shall be entitled to the PRC government's preferential policy for hi-tech software enterprises.

The research and development of the Group's digital radio trunking system is still underway, and maintain a proper progress in line with the forecast of the market development trend.

Provision of value-added Telemedia-related Technical Services

For the three and six months ended 30 June 2004, the value-added Telemedia-related Technical Services of the Group rendered through Haoyuan Yingte, its long-term cooperation partner, recorded turnovers of HK$1,253,000 and HK$2,295,000, representing increases of 5% and 10% as compared to the corresponding periods of previous year respectively .

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Provision of value-added Telemedia-related Technical Services (continued)

In June 2004, the Group successfully assisted Haoyuan Yingte in applying for China Unicom value-added services qualification and special service numbers, 10159081, and Haoyuan Yingte was granted "SMS" service number 9590 by China Unicom in July. The successful application has enabled the Group's services to extend to the huge subscriber base of China Unicom. As a focus of its value-added Telecom-related Technical Services business, the Group would support Haoyuan Yingte to develop mobile phone interactive voice and messages business, which is expected to contribute a substantial proportion in the Group's turnover. The Group helped Haoyuan Yingte to actively develop an innovative service model and improve service quality and pattern in order to take a larger share in the enormous value-added Telecom market in China.

To leverage on the license of Haoyuan Yingte, the Group is assisting Haoyuan Yingte in taking a more flexible mode of cooperation to provide value-added telemedia services in some cities in China, so that it can expand its business area and increase the Group's revenue with the least expenses.

Development of vehicle call center

In this quarter, the Group's information vehicle project achieved a significant progress. In April 2004, the Group established a joint venture in Shanghai, engaging in the research, development and distribution of terminal products, with an intelligent transportation research company of East China Normal University. The three various terminal products targeting different levels of customers, namely "Vedia 318", "Vedia 518" and "Vedia 718", have been developed successfully, and will be put into mass production and marketing promptly.

The call center for information vehicle project established by the Group in Beijing has been well-prepared to come into operation. However, the Group has prudently postponed the public trial operation plan to fourth quarter in order to ensure more perfect services provided. Presently it is deeply engaged in enriching database, improving marketing plan, and negotiating with cooperation partners for the related information services.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Development of vehicle call center (continued)

To keep abreast with the market trend, the Group has appointed a professional advisory company as the consultant of the project. The project has become a focus of strategic investors. A large vehicle manufacturer established as a Sino-foreign equity joint venture in Shanghai showed much interests in the products and services of the project, and enter into an agreement of intent with the Group for pre-installation of terminal in its products.

Liquidity and financial resources

The Group financed its operations through internally generated funds and banking facilities during the period. The liquidity position of the Group was maintained at a satisfactory level during the period. As at 30 June 2004, the Group has a gearing ratio of 0.15 (31 December 2003: 0.16), calculated on the basis of the Group's bank borrowings over shareholders' funds. Total bank and cash balances was HK$11,085,000 (31 December 2003: HK$3,289,000) exceeding bank loans of HK$4,673,000 (31 December 2003: HK$4,673,000) .The currencies in which cash and cash equivalents held by the Group are mainly RMB and Hong Kong dollars.

Although the Group's liquidity position and gearing ratio are healthy to meet its ongoing operating and development requirements, credit facilities have nevertheless been put in place for contingency purposes. As at 30 June 2004, the Group's available credit facilities approximately amounted to HK$7.5 million was in trade line.

Capital structure

No change in the Group's bank borrowings by approximately HK$4,673,000 during the period. There was no change to the Group's capital structure during the six months ended 30 June 2004.

Significant investment

For the six months ended 30 June 2004, there was no significant investment held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Charge on group assets

As at 30 June 2004, certain land and buildings under long leases outside Hong Kong with net book value of approximately HK$2,251,000 were pledged to bank to secure banking facilities.

Foreign currency exposure

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

Contingent liabilities

As at 30 June 2004, the Board was not aware of any material contingent liabilities.

Staff and remuneration policies

As at 30 June 2004, the Group employed a workforce of approximately 324, the majority of whom were employed in the PRC. Staff cost, including directors' remuneration, amounted to approximately HK$5,223,000 for the six months ended 30 June 2004. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to pension scheme and medical insurance.

Future plans for material investments or capital assets

As at 30 June 2004, the Group was committed to capital expenditure of approximately HK$3,135,600 for the establishment of a Joint Venture Enterprise in the PRC.

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 2004.

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

As at 30 June 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%

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 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 30 June 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 30 June 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)	Corporate	376,585,296	66.77%
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%

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 30 June 2004, 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.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY *(continued)*

Share Option

Pursuant to the Share Option Scheme adopted by the Company on 17 April 2003 ("Share Option Scheme"), as at 30 June 2004, the employees were granted share options to subscribe for shares of the Company, details of which were as follows:

Name of Category of participant	As at 1 January 2004	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2004	Date of granted of share options	Exercise period of share options	Exercise price of share options
Employees	–	27,150,000	–	–	–	27,150,000	24 June 2004	24 June 2005 - 23 June 2008	HK$0.2

None of the employees of the Group had exercised their share options during the period ended 30 June 2004.

Other than the share option scheme as described above, 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 30 June 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 GEM Listing Rules which is subject to certain transitional arrangement. In compliance with Rule 5.28 to 5.30 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which describe the authority and duties.

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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2004.

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

Hong Kong, 11 August 2004

As at the date hereof,

Executive Director:

Cai Zuping
Li Chaobin
Zhang Zheng
Su Hongjin

Independent non-executive Directors:

Wong Ping Wong
Pan Boxin

Non-executive Directors:

Chen Kang