NEOLINK
优能科技

Half-Year Report 2005

Neolink Cyber Technology (Holding) Limited

(Incorporated in the Cayman Islands with limited liability)

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This announcement, 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement 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 2005, together with the unaudited comparative figures for the corresponding period in 2004, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2005

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2005	2004	2005	2004
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	2	7,754	10,563	11,467	15,395
Cost of sales		(2,741)	(2,384)	(4,124)	(5,688)
Gross profit		5,013	8,179	7,343	9,707
Other revenues	2	581	632	854	1,067
Distribution costs		(779)	(808)	(1,696)	(1,375)
Administrative expenses		(4,880)	(4,312)	(9,240)	(7,696)
(Loss)/Profit from operations	4	(65)	3,691	(2,739)	1,703
Gain from deemed disposal of interest in a subsidiary		–	–	12,861	–
Finance costs		(50)	(60)	(138)	(130)
(Loss)/Profit before taxation		(115)	3,631	9,984	1,573
Taxation	5	(148)	(65)	(153)	(324)
Profit after taxation		(263)	3,566	9,831	1,249
Minority interests		755	(143)	1,155	(10)
Profit attributable to shareholders		492	3,423	10,986	1,239
Earnings per share – Basic	6	0.09 cent	0.61 cent	1.95 cent	0.22 cent

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Notes	(Unaudited) As at 30 June 2005 HK$'000	As restated (Audited) As at 31 December 2004 HK$'000
ASSETS			
Non-current assets			
Fixed assets	7	7,705	7,504
Lease Premium for Land	8	2,688	–
Intangible assets	9	1,517	–
		11,910	7,504
Current assets			
Inventories		6,620	4,659
Trade receivables	10	13,891	20,568
Lease Premium for Land	8	32	–
Prepayments, deposits and other receivables		4,961	4,749
Tax recoverable		282	135
Amounts due from related companies		4,285	5,745
Pledged bank deposit		–	331
Bank and cash balances		22,801	9,992
		52,872	46,179
Less: **Current liabilities**			
Trade payables	11	2,144	6,300
Accruals and other payables		6,451	8,314
Deposit received		1,525	410
Amount due to ultimate holding company		2,511	2,511
Amounts due to related companies		3,440	4,286
Secured bank loans	12	–	4,673
		16,071	26,494
Net current assets		36,801	19,685
Total assets less current liabilities		48,711	27,189
Less: **Non-current liabilities**			
Minority interests		10,609	95
NET ASSETS		38,102	27,094
CAPITAL AND RESERVES			
Share capital	13	56,400	56,400
Reserves		(18,298)	(29,306)
SHAREHOLDERS' FUNDS		38,102	27,094

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	(Unaudited) Six month ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Net cash (outflow)/inflow from operating activities	(1,344)	8,800
Net cash inflow/(outflow) from investing activities	18,618	(1,006)
Net cash outflow from financing activities	(4,673)	–
Increase in cash and cash equivalents	12,601	7,794
Effect of foreign exchange rate changes	(123)	2
Cash and cash equivalents at beginning of period	10,323	3,289
Cash and cash equivalents at end of period	22,801	11,085
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	22,801	11,085

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Unaudited										
	Share capital HK$'000	Share premium HK$'000 (Note (ii))	Employee share-based compensation reserve HK$'000	Merger Reserve HK$'000 (Note (iii))	Revaluation reserve HK$'000	General Reserve HK$'000 (Note (i))	Enterprise Expansion Fund HK$'000 (Note (i))	Exchange reserve HK$'000	Special reserve HK$'000 (Note (iv))	Accumulated Losses HK$'000	Total 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 2005											
At 1 January 2005	56,400	26,993	–	(46,815)	1,468	6,806	50	(77)	15,936	(33,667)	27,094
Effect of changes in accounting policies *(Note 1)*	–	–	145	–	–	–	–	–	–	(145)	–
At 1 January 2005 as restated	56,400	26,993	145	(46,815)	1,468	6,806	50	(77)	15,936	(33,812)	27,094
Exchange differences	–	–	–	–	–	–	–	(123)	–	–	(123)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	–	10,986	10,986
Employee share option benefits	–	–	145	–	–	–	–	–	–	–	145
At 30 June 2005	56,400	26,993	290	(46,815)	1,468	6,806	50	(200)	15,936	(22,826)	38,102

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) Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

(iii) 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.

(iv) Special reserve represents increase in issued capital by way of transfer from retained profits by one of subsidiaries of the Company during the year. The reserve is restricted for distribution.

Notes:

1. Basis of preparation

The unaudited consolidated results of the Group have been prepared under the historical cost convention and 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.

In 2005, the Group has adopted all new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKAS") (herein collectively referred to as "new HKFRSs") relevant to its operations, which are effective for periods beginning on or after 1 January 2005. The adoption of these new HKFRSs has resulted in changes to the Group's accounting policies in the following area:

Share-based payments

Prior to the adoption of HKFRS 2, the Group did not recognise the financial effect of share-based payments until such time as the share-based payments are settled. Following the adoption of HKFRS 2, the fair value of share options at grant date was amortised over the subsequent relevant vesting period.

The unaudited consolidated results for the six months ended 30 June 2005 are unaudited but have been reviewed by the audit committee of the Company.

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	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
Technical service income				
Telemedia-related services	905	1,253	1,971	2,295
Sales of goods				
Radio trunking systems integration	6,849	9,310	9,496	13,100
	7,754	10,563	11,467	15,395
Other revenues				
Interest income	36	12	39	15
Others	545	620	815	1,052
	581	632	854	1,067
Gain from deemed disposal of interest in a subsidiary	–	–	12,861	–
Total revenues	8,335	11,195	25,182	16,462

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	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
Telemedia-related services	905	1,253	1,971	2,295
Radio trunking systems integration	6,849	9,310	9,496	13,100
Total turnover for the period	7,754	10,563	11,467	15,395

	Profit from operations			
	Three months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment result				
Telemedia-related services	61	(20)	231	204
Radio trunking systems integration	2,127	4,600	1,565	3,194
Others	(1,651)	–	(3,054)	–
	537	4,580	(1,258)	3,398
Other revenues	581	632	854	1,067
Unallocated corporate expenses	(1,183)	(1,521)	(2,335)	(2,762)
Profit from operations for the period	(65)	3,691	(2,739)	1,703

4. **(Loss)/Profit from operations**

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

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Charging				
Cost of goods sold	2,741	2,384	4,124	5,688
Amortisation of lease premium for land	22	–	22	–
Depreciation on fixed assets	516	285	804	637
Loss on disposal of fixed assets	0	8	4	8
Operating lease rental in respect of:				
– land and building	623	414	1,059	818
Net exchange loss	0	2	0	2
Research and development costs	1,688	940	3,259	2,383
Staff costs, including directors' emoluments	2,810	3,471	5,788	5,223

5. **Taxation**

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

		Three months ended 30 June		Six months ended 30 June	
		2005	2004	2005	2004
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong profits tax	(i)	0	0	0	0
Overseas taxation	(ii)	148	65	153	324
		148	65	153	324

(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.

6. **Earnings per share**

The calculation of the basic earning per share for the three months and six months ended 30 June 2005 is based on the unaudited consolidated profit of approximately HK$492,000 and HK$10,986,000 attributable to shareholders of the Group (2004: HK$3,423,000 and HK$1,239,000) and on the weighted average number of 564,000,000 and 564,000,000 (2004: 564,000,000 and 564,000,000) shares in issue for the six months ended 30 June 2005 and 2004.

No diluted earnings per share for the period is presented as the Company did not have any dilutive potential shares during the periods.

7. **Fixed assets**

	Six months ended 30 June 2005 *HK$'000*	Year ended 31 December 2004 *HK$'000*
Net book value, beginning of period/year	7,504	5,104
Additions	1,659	4,486
Disposals	(654)	(555)
Depreciation	(804)	(1,531)
Net book value, end of period/year	7,705	7,504

8. **Lease Premium for Land**

	Group	
	2005 *HK$'000*	As restated 2004 *HK$'000*
Net book value at 1 January	–	–
Addition	2,742	–
	2,742	–
Amortisation	(22)	–
Net book value at 30 June	2,720	–
Current portion of non-current assets	(32)	–
Non-current portion	2,688	–

The leasehold land is held under long-term lease and situated in People's Republic of China.

9. **Intangible assets**

	Group	
		As restated
	2005	2004
	HK$'000	*HK$'000*
Intellectual vehicle navigation system	1,517	–

10. **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	91 to 120 days	Over 120 days	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2005	3,710	5,298	846	1,081	2,956	13,891
As at 31 December 2004	8,580	2,031	160	3,986	5,811	20,568

11. **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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2005	–	–	847	1,297	2,144
As at 31 December 2004	3,153	51	57	3,039	6,300

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

12. **Secured bank loans**

	As at 30 June 2005	As at 31 December 2004
	HK$'000	*HK$'000*
Wholly repayable within one year	–	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 buildings under long leases outside Hong Kong of the Group with net book value of approximately HK$1,971,000 (2004: HK$2,251,000) and corporate guarantee by the related company.

13. **Share capital**

	Six months ended 30 June 2005 Number of shares	Nominal Value HK$	Year ended 31 December 2004 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

14. **Related party transactions**

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

		Group	
	Note	2005 *HK$'000*	2004 *HK$'000*
Sales of equipment, monitor systems and provision of technical services to			
– Baotong	(i)	–	–
– Haoyuan Yingte	(i)	1,971	2,149
Loan interest paid to Shenzhen Communication	(ii)	92	36
Consultancy fee paid to Qing Jiang HK	(iii)	–	90
Office administrative services income received from			
– Qing Jiang HK	(iii)	5	5
– Harbour Smart	(iii)	5	–

(b) During the period the Group borrowed loan of approximately HK$3,150,000 (2004: HK$2,636,000) from Shenzhen Communication (Note (ii)). The loan is unsecured, interest-bearing at approximately 6.13% (2004: 6.13%) per annum and is repayable within twelve months.

(c) During the period, the Group borrowed loan of approximately HK$Nil (2004: HK$1,262,000) from Hangzhou Communication (Note (iv)). The loan is unsecured, interest-free and has no fixed term of repayment.

(d) During the period, the Group's banking facilities amounted to HK$11,214,000 (2004: HK$4,673,000) were guaranteed by Haoyuan Yingte.

Notes:

(i) Baotong and Haoyuan Yingte are indirectly owned by a relative of Mr. Cai Zuping, a director of the Company.

(ii) Shenzhen Communication is directly owned by a relative of Mr. Cai Zuping, a director of the Company and Shenzhen Jin Jiang Dao Property Development Company, a wholly-owned company of Hubei Qing Jiang (Note (iii)).

(iii) Hubei Qing Jiang, a beneficial shareholder of the ultimate holding company of the Company, is a beneficiary shareholder of Qing Jiang HK and Harbour Smart.

(iv) Hangzhou Communication is indirectly owned by a relative of Mr. Cai Zuping, a director of the Company.

15. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

16. Advance to an Entity

Advance to Hainan Baotong Industries Company Limited

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

The unaudited total net asset value of the Group as at 30 June 2005 was approximately HK$38,102,000.

Trade receivable in the amount of approximately HK$9,407,000 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 receivables represented approximately 24% of the unaudited total net asset value.

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 six months ended 30 June 2005, the Group recorded an unaudited consolidated turnover of approximately HK$11,467,000, representing a decrease of approximately 25% as compared with the corresponding period in 2004. Loss from operations for the six months ended 30 June 2005 was HK$2,739,000 (2004: Profit HK$1,703,000). During the period, the Group entered into acquisition agreement with Pem-America Inc. to deal with 40% equity interest of a subsidiary, China Gocom Internet (BVI) Limited ("China Gocom") for HK$23,000,000. A gain from the deemed disposal of the Group's interest in China Gocom of approximately HK$12,861,000, which is estimated based on difference between the Group's interest in the China Gocom group before and after the deemed disposal. Except from a gain from deemed disposal, the unaudited loss attributable to shareholders amounted to approximately HK$1,875,000 (2004: Profit HK$1,239,000). The decrease in turnover is that the government bodies, previously the major customer of the Group, reduced orders as a result of technological upgrade. Gross profit margin increases by 1%, 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, 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 three months and six months ended 30 June 2005, the radio trunking business of the Group achieved turnovers of HK$6,849,000 and HK$9,496,000, which respectively decreased by 26% and 27% as compared to the same period for the previous year. The main reason for the decrease is that the government bodies, previously the major customer of the Group, reduced orders as a result of technological upgrade.

For the six months ended 30 June 2005, the radio trunking business of the Group has received orders for an amount approximately HK$18,862,000 (2004: HK$23,401,000) and such orders is expected to execute in this year. It shows a decrease as compared to the same period of the previous year. However, among that six-month period, the orders contracted in the second quarter amounted to approximately HK$8,878,000 (2004: HK$7,476,000), representing an increase of approximately 18% as compared to the same period of the previous year. It indicates that the Group has got progress in its development in other areas though purchasing orders from the government are reduced.

Based on the review of our business in the previous years, The Group has been revising the direction of our radio trunking business. On the basis of keeping existing markets stable, we actively develop a diversified customer base covering the public security, border defence, logistics, municipal emergency co-action units and overseas markets, so that the impact of the volatility in certain customer on our business results can be reduced. Our market development activities are expected to have more marked effect in the second half of the year.

The Group is devoted in the research and development of digital trunking systems and terminals. We plan to introduce Neolink branded digital trunking products this year through independent development and in the form of combining OEM. We intend to transform our positioning from a system integration operator into a product provider in the new technological area, so that we can have a share in the enormous market generated from technological upgrade, and therefore improve the business results of the Group.

Front-end prospecting and designing work has been commenced for the land acquired in Hangzhou by the Group. The first phase of work is scheduled to start in the third quarter.

Provision of telemedia-related and other value-added telecommunication related technical services

For the three months and six months ended at 30 June 2005, the turnovers from the business of telemedia-related and other value-added telecommunication related technical services were HK$905,000 and HK1,971,000 respectively, showing a decrease of 28% and 14% respectively as compared to the same period of the previous year. Since the tightening of the administration of value-added telecommunication by the telecommunication administration departments and the intensified competition of the industry, the business development of the Group is adversely affected. The Group is actively assisting Haoyuan Yingte in its efforts to improve business results by means of properly increasing input and enriching service contents. On the basis of maintaining the fixed-line telephone business stable, it is to make the mobile telephone value-added business as its development focus.

Development of vehicle call centre ("Carbase Project")

The Group has decided that Beijing is selected as the first location. The Carbase project in which the vehicle call center to be established to provide drivers with all-directional information services is making good progress. The first-generation vehicle terminal currently used specially for the project has completed and is under arrangement for batch production, and a small service center is already in trial operation. The trial operation process indicates that the Group has solved all major technological problems of the project and successfully achieved the planning functions. With the customers' feedbacks received during the trial operation period and the improvement of defects found in the service system, we strive to perfect the service functions and make the service mode better suit the needs of the customers. The project is planned to put into formal business operation in this year.

The relevant marketing activities of the project have started and more input will be made in the third quarter. The promotional website www.carbase.com.cn has been built and the special service number for the call center is still under application. We are carrying out our all-through marketing plan designed with the help of professional public relations companies.

Sales contracts have been signed for 2100 sets of DimmiT300 taxi anti-robbery and deployment terminals developed by Neolink Broadway, a subsidiary in Shangahi of the Group, of which 800 sets have completed the work of entrusted processing and will be delivered to customers in the near future after further perfecting the control software. In order to ensure the quality of our service and products, the remaining portion will be delivered to customers batch by batch after making improvements based on the actual condition of use of the first batch of products. Neolink Broadway has established effective product sales channels for the DimmiT series of terminal products in many cities in the western part of the country. It has also built up partnership relation with the Shanghai taxi public deployment platform for cooperation in marketing. On the basis of ensuring the reliability of our products, we believe that we can have a bright future of business in the subsequent period.

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 2005, the Group has a gearing ratio of zero (31 December 2004: 0.17), calculated on the basis of the Group's bank borrowings over shareholders' funds. Total bank and cash balances was HK$22,801,000 (31 December 2004: HK$10,323,000) with no bank loans as at 30 June 2005 (31 December 2004: 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 2005, the Group's available credit facilities approximately amounted to HK$11,214 ,000 was in trade line.

Capital structure

There was no change to the Group's capital structure during the six months ended 30 June 2005.

Significant investment

On 2 February 2005, Neolink Communications Technology (Hangzhou) Limited, a Company's subsidiary entered into a sales and purchase agreement with local land bureau in the PRC to acquired land use rights at a total consideration of HK$2,537,000. The Group prepares to finance the land use rights with cash-flow derived from operating activities. Save as disclosed above, the Group did not have any details of significant investments or capital assets as at 30 June 2005.

Charge on group assets

As at 30 June 2005, certain land and buildings under long leases outside Hong Kong with net book value of approximately HK$1,980,000 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 2005, the Board was not aware of any material contingent liabilities.

Staff and remuneration policies

As at 30 June 2005, the Group employed a workforce of approximately 308, the majority of whom were employed in the PRC. Staff cost, including directors' remuneration, amounted to approximately HK$5,788,000 for the six months ended 30 June 2005. 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

The Group did not have any details of future plan for material investments or capital assets as at 30 June 2005.

Acquisitions and disposals of subsidiaries and affiliated companies

According to the Subscription Agreement dates 27 December 2004, Pem-America, is third party, independent of the Company and connected persons of the Company, subscribe 33,333 new shares in a subsidiary of the Company, China Gocom Internet (BVI) Ltd. ("China Gocom") at a consideration of

HK$23,000,000, representing approximately 40% of the issued share capital of China Gocom as enlarged by the subscription. Prior to the subscription, China Gocom and its subsidiaries are indirectly wholly-owned subsidiaries of the Company while after the subscription, China Gocom and its subsidiaries will all be subsidiaries in which the Company has been diluted to a 60% interest.

On 30 June 2005, the transaction has been completed and satisfied certain conditions as stated in the subscription agreement.

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

As at 30 June 2005, 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 2005, 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 2005, 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%
Harbour Smart Development Limited ("Harbour Smart") *(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 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. Harbourt Smart, a company incorporated in Hong Kong, has interest in the Company through its shareholding of 26% in Infonet. Mr. Li Chaobin, is the shareholder of the Harbourt Smart and hold the shares of Harbourt Smart on trust for Hubei Qing Jiang Hydro-electric Development Company 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 2005, 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

Pursuant to the Share Option Scheme adopted by the Company on 17 April 2003 ("Share Option Scheme"), as at 30 June 2005, 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 2005	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2005	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 2005.

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 2005, 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.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules except that the Board of Directors of the Company is in the process of defining the composition and terms of reference of the Remuneration and Review Committee and it is expected that such process will be completed in fourth quarter.

The Company has received written confirmations from all independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and therefore considers all independent non-executive directors to be independent.

During the six months ended 30 June 2005, the Company had complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the directors, the directors of the Company had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 June 2005.

AUDIT COMMITTEE

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 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 six months ended 30 June 2005 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 six months ended 30 June 2005.

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

Hong Kong, 10 August 2005

As at the date hereof, the executive directors of the Company comprises four executive directors, being Mr. Cai Zuping, Mr. Wu Yangang, Mr. Zhang Zheng 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 Sik Siu Kwan.